

## **Local Pensions Board**

**Thursday, 30 November 2023 at 10:30**

**County Hall, West Bridgford, Nottingham, NG2 7QP**

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### **AGENDA**

|    |   |         |
|----|---|---------|
| 1  | Minutes of last meeting held on 15 June 2023  | 3 - 8   |
| 2  | Apologies for Absence   |         |
| 3  | Declarations of Interests by Members and Officers:- (see note below)                |         |
| 4  | Nottinghamshire Pension Board Annual Review 2022-2023                               | 9 - 16  |
| 5  | Nottinghamshire Pension Board Advisor - LGPS Update                                 | 17 - 20 |
| 6  | Local Government Pension Scheme (LGPS) - Pension Administration Performance Report  | 21 - 36 |
| 7  | Local Government Pension Scheme - Guaranteed Minimum Pension Rectification - Update | 37 - 44 |
| 8  | LGPS - Update on Impact of McCloud Judgement on Administration of the Pension Fund  | 45 - 66 |
| 9  | Pension Board - Review of Funding Strategy Documents                                | 67 - 70 |
| 10 | Pension Board - Risk Register   | 71 - 92 |
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**Notes**

- (1) Councillors are advised to contact their Research Officer for details of any Group Meetings which are planned for this meeting.
- (2) Members of the public wishing to inspect "Background Papers" referred to in the reports on the agenda or Schedule 12A of the Local Government Act should contact:-

Customer Services Centre 0300 500 80 80

- (3) Persons making a declaration of interest should have regard to the Code of Conduct and the Council's Procedure Rules. Those declaring must indicate the nature of their interest and the reasons for the declaration.

Councillors or Officers requiring clarification on whether to make a declaration of interest are invited to contact Noel McMenamin (Tel. 0115 993 2670) or a colleague in Democratic Services prior to the meeting.

- (4) Councillors are reminded that Committee and Sub-Committee papers, with the exception of those which contain Exempt or Confidential Information, may be recycled.
- (5) This agenda and its associated reports are available to view online via an online calendar - <http://www.nottinghamshire.gov.uk/dms/Meetings.aspx>

# minutes

Meeting NOTTINGHAMSHIRE LOCAL PENSION BOARD

Date Thursday 15 June 2023 at 10:30 am

## membership

### Employers

|                            |                                 |
|----------------------------|---------------------------------|
| Councillor Reg Adair       | Nottinghamshire County Council  |
| Councillor Dr. Nayab Patel | Nottingham City Council         |
| Becky Smeathers            | Nottinghamshire Fire and Rescue |

### Members

|                        |                       |
|------------------------|-----------------------|
| Mark Heppenstall       | Pension Scheme member |
| Thulani Molife (Chair) | Pension Scheme member |

### Also in Attendance

Barry McKay – Barnett Waddingham, Scheme Actuary  
John Raisin – Advisor to the Board (via video link)

### Officers in Attendance

|                  |  |
|------------------|--|
| Noel McMenamin   | Democratic Services Officer            |
| Ciaran Guilfoyle | Investments Officer                    |
| Keith Palframan  | Team Manager, Financial Services       |
| Sarah Stevenson  | Group Manager, Business Service Centre |

## 1. MINUTES

The minutes of the last meeting held on 16 March 2023 were agreed and signed by the Chairman.

## 2. APOLOGIES FOR ABSENCE

Jon Clewes    Team Manager, Pensions

## 3. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

None.

#### **4. MINUTES OF PENSION BOARD CHAIRS OF LGPS CENTRAL FUNDS MEETING**

The Chairman introduced the paper, setting out the notes of the most recent regional meeting of Local Pension Board Chairs of LGPS Central Funds from March 2023.

It was explained that the notes addressed a number of areas covered by John Raisin's LGPS update later in the meeting. The Chairman also advised that a paper had been circulated which included a matrix demonstrating that most funds broadly complied with Good Governance recommendations.

In response to a Board member's question, it was explained that work was being carried out by the LGPS Scheme Advisory Board for England and Wales on the compatibility of LGPS investments with Sharia law. A report with findings and next steps was expected over the Summer of 2023

#### **RESOLVED 2023/006**

That the notes and comments be noted

#### **5. LGPS SCHEME VALUATION**

The Board received a detailed presentation from Barry McKay of Barnett Waddingham, the Scheme actuary, providing Board member training on actuarial valuation.

The presentation gave a comprehensive overview of the following key areas:

- The different types of valuation;
- How assets and liabilities were valued;
- Key financial actuarial assumptions;
- Key actuarial demographic assumptions;
- A breakdown of 2022 whole Fund results; and
- An overview of current 'hot topics', including McCloud/Sargeant, Good Governance, Cost caps and Climate risk.

The presentation is available for viewing on the meeting broadcast at

<https://.youtube.com/watch?v=ja5wQkVnpU8>

During discussion following the training presentation, several issues were raised and points made:

- It was explained that the Consumer Price Index assumption of 2.9% for the 2022 valuation had already factored in predicted spikes in food and energy inflation. While the spike in inflation had lasted longer than expected, it was forecast that inflation would fall below current estimates over time;
- The majority of work to date on climate change risk to the Fund had focussed on its effect on assets – work had now begun on building in its effect on liabilities. Very little work had been carried out to date on the impact of demographic change and migration patterns arising from climate change;

- There had been a proposal from the Department for Levelling Up, Housing and Communities to align LGPS and similar funded schemes with public sector unfunded schemes in respect of having valuations every 4 years, rather than every 3 years. The view was expressed that this was less likely to take place in 2025, but could be a possibility in 2028, when triennial and quadrennial valuations coincided;
- It was appropriate to keep employer and employee rates as stable as possible, and to not get fixated on short-term fluctuations in valuations.

The Chairman thanked Mr McKay for his presentation and engagement with the Board.

## **RESOLVED 2023/007**

That the Board considered and commented on the information presented on the LGPS Scheme valuation.

## **6. NOTTINGHAMSHIRE LOCAL PENSION BOARD LGPS UPDATE**

John Raisin, Advisor to the Board, introduced the report which provided an update on the Local Government Pension Scheme for consideration and comment, covering the following areas:

- Changes to the Scheme Advisory Board (SAB) cost management process;
- Changes to Pensions Taxation;
- Further Consultation on 'McCloud' (age discrimination in the LGPS);
- Climate Change reporting;
- Investment pooling;
- Good Governance in the LGPS project;
- The Pension Regulator: New General Code.

In particular, Mr Raisin drew the Board's attention to the following:

- While most LGPS members would not be affected by the changes to increased annual allowances and the abolition of the lifetime allowance in respect of pensions taxation, an increasing number of senior officers were falling under the scope of these charges. The changes would also simplify pensions administration processes;
- The Government had recently issued a consultation 'McCloud remedy in the LGPS – supplementary issues and scheme regulations', which was to run until 30 June 2023. It was intended that the McCloud Remedy regulations would come into force on 1 October 2023. Mr Raisin emphasised that most individuals would not see an increase in benefits under the remedy, as the benefits for the vast majority of members accrued under the career average scheme would be higher than those under the final salary scheme;
- While no consultation had as yet been issued in respect of investment pooling, it was anticipated that LGPS funds would be asked to move faster and further on consolidating all listed assets by March 2025;

- The delay until 1 April 2024 for the introduction of climate change reporting for the LGPS effectively put the Scheme 2 years plus behind established practice for private sector schemes;
- The Government will issue Good Governance guidance in due course. A number of councils, including Worcestershire in Nottinghamshire's pool, have already taken proposals to their Pensions Committees;
- It was expected that a new General Code would be issued by the Pension Regulator later in 2023.

Several issues were raised and points made in the discussion which followed:

- Around 30% of assets were currently pooled – these were the subject of regular reports to Pensions Committee. While pooling provided economies of scale, it was acknowledged that successful pooling required strong collaborative working and occasionally compromise, Government guidance was awaited on how it expected pooling to operate in the future;
- Gap analysis had been conducted, by Nottinghamshire officers, in respect of Good Governance and, notwithstanding the delays in the expected consultation, it would be appropriate to share the information with both the Board and the Committee in the near future;
- Discussion at Service Director level on the implications of Good Governance were expected to take place in early August 2023. The Chairman formally requested that reports be submitted to both Board and Committee – this is reflected in the resolution below. John Raisin advised that it would be for Council officers to prepare these reports, but he was happy to comment/provide input if requested;

## **RESOLVED 2023/008**

- (1) That the Board's consideration and comments on the Local Government Pension Scheme update be noted;
- (2) That a report on the implications of Good Governance guidance be submitted to future meetings of the Local Pensions Board and Pensions Committee.

## **7. LOCAL PENSION BOARD – RISK REGISTER**

Sarah Stevenson, Group Manager, Business Services Centre, introduced the report which presented the current Pension Fund Risk Register.

Mrs Stevenson also provided an update on the Independent Review of the Risk Register being conducted in collaboration with Zurich, the Council's insurers. She explained that risks would be identified as operational, strategic or those already covered under 'business as usual' arrangements, helping Board and Committee focus on and address risk with more precision.

A draft Register had been compiled following an initial workshop involving key officers – once this had been refined further it could be shared with Committee in October and with Board in November/December 2023. It was intended that

Committee and Board conduct 'deep dives' of identified risks to test the new Register in respect of accuracy and mitigation management, for example.

The following issues were raised and points made during discussion:

- It was confirmed that Pensions Committee was already aware of the work being undertaken on the Risk Register. Mrs Stevenson undertook to check with the Pensions Committee Chairman whether there could be a joint Committee/Board training session involving Zurich;
- It was acknowledged that resources was an area of risk for the Scheme, given pressures arising from recent developments, including the McCloud remedy and GMP reconciliation. However, work was also ongoing with Civica to maximise efficiencies from the pensions system, for example through developing a new Employer Hub and a move to monthly returns;
- The Pensions Team had recently welcomed three new starters, and the Service was in discussion with East Sussex County Council to inform developing an apprenticeship specific to pensions administration;
- cyber security remained an ongoing concern, and work was progressing on moving the pensions system to a hosted off-premise data centre;
- it was confirmed developing a portal for scheme members was in the pipeline. However, ensuring that the service held accurate and comprehensive data was a more pressing priority. Employers could play their part through helping ensure that the Employer Hub delivered on quality up-to-date data;

#### **RESOLVED 2023/009**

That the Risk Register and the Board's comments on it be noted, it being further noted that no additional actions to those already agreed or planned were endorsed.

#### **8. WORK PROGRAMME**

Members considered the work programme, copies of which had been circulated.

It was explained that the work programme would require updating with dates for meetings in 2023-24, and following discussions at Service Director level the further scheduling of key items would take place.

During discussion, it was acknowledged that further work on communications work was required, particularly around McCloud, GMP and the launch of the employee dashboard in due course.

#### **RESOLVED 2023/010**

That, subject to the inclusion of items agreed elsewhere on the agenda, the work programme be approved.

The meeting concluded at 12.25pm.

**CHAIRMAN**



# **JOHN RAISIN FINANCIAL SERVICES LIMITED**

## **The Nottinghamshire Local Pension Board**

### **Pension Board Review 1 April 2022 to 31 March 2023**

#### **A report by the Advisor the Board**

##### **Executive Summary**

This report reviews the activity of the Nottinghamshire Local Pension Board during the period 1 April 2022 to 31 March 2023.

This review has been prepared by the Advisor to the Board, in Consultation with the Chair, for consideration by the Board at its meeting on 30 November 2023. Following consideration by the Board an approved version of this review will be forwarded to the Pension Fund Committee for their consideration.

##### **Purpose and Terms of Reference of the Nottinghamshire Pension Board**

Under its Terms of Reference the purpose of the Nottinghamshire Local Pension Board is to assist the Pension Fund Committee in its role (delegated by Nottinghamshire County Council) as a Scheme Manager under the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations. The Board consists of eight members and comprises four Employer and four Employee representatives. The Chair is chosen by the Board members from amongst their number. The present Chair Thulani Molife an Employee representative became Chair on 30 September 2021 having served as a member of the Board since 2016. The Board provides a specific forum for both Employers and Employees to be actively involved in the Governance of the Fund on an ongoing basis.

The Board is supported by Officers of the Nottinghamshire Pension Fund. In addition the County Council has appointed an independent external Advisor to the Board, John Raisin Financial Service Limited.

##### **Board Meetings 1 April 2022 to 31 March 2023**

Nottinghamshire County Council requires that as a minimum the Pension Board meet twice a year. The Board Members (supported by Officers and the Advisor) expressed the view, at an informal Board Workshop in February 2021, that the Board should meet more regularly than the two occasions per (financial) year that had been the practice since 2015. There was a clear consensus that four meetings a year would be appropriate. The year 1 April 2021 to 31 March 2022 saw progress towards this with three meetings taking place for the first time in a year. In 2022-2023 the Board also met on three occasions. The three Board meetings during the financial year 2022-2023 were held on 23 June 2022, 29 September 2022, and 16 March 2023.

The Agenda Items considered at each Board meeting held during the financial year 2022-2023 are shown in the Table below:

|  | 23/6/22 | 29/9/22 | 16/3/23 |
|--|---------|---------|---------|
| Minutes of Previous Meeting                            | /       | /       | /       |
| Declarations of Interest                               | /       | /       | /       |
| Pension Fund Risk Register                             | /       | /       | /       |
| Work Programme   | /       | /       | /       |
| Pension Board Review 2021-2022                         | /       |         |         |
| Investments Policy and Governance                      | /       |         |         |
| Bank of England Gilt Market Intervention (oral update) |         | /       |         |
| Training   |         | /       | /       |
| LGPS Update by Advisor to the Board                    |         | /       | /       |
| Pensions Administration Performance Report             |         | /       |         |
| Proposed Pension Dashboard Programme                   |         | /       |         |
| LGPS Governance Conference report                      |         |         | /       |

Further comments on the above reports are included later in this review.

### **Members of the Pension Board**

The full Membership of the Nottinghamshire Pension Board is four Employee and four Employer representatives. This number, eight, is well in excess of the minimum number of Board members required under the LGPS Regulations 2013 which is only four (two Employee and two Employer). The establishment by the County Council in 2015 of a Board membership of eight was positive and proactive in terms of seeking to facilitate both Employee and Employer representation and involvement in the ongoing Governance of the Nottinghamshire Pension Fund. Unfortunately during 2022-2023 the membership of the Board was only five members despite clear attempts by the Fund Officers to fill all eight places. This situation was most unfortunate given the role of the Board under both the LGPS Regulations and its Terms of Reference as set out by the Nottinghamshire County Council.

Notwithstanding that there were only (at any one time) five Board members during 2022-2023 all were conscientious in attendance and all contributed positively to the deliberations of the Board. During the year David Smith a longstanding Board member who had contributed much to Board discussions back to 2016 stood down as an Employer representative and it is appropriate therefore to record, on behalf of the Board, thanks to David for his conscientious and active membership of the Board.

At the September 2022 meeting the Board was pleased to welcome both Councillor Dr Nayab Patel and Becky Smeathers as Employer representatives. Mark Heppenstall and Thulani Molife both original Board members continued as Employee representatives throughout the year. Councillor Reg Adair (who brings to the Board extensive experience as both a former member and Chair of the Pension Fund Committee) also continued to serve throughout 2022-2023 as an Employer representative. Thulani Molife continued as Chair and in this role not only chaired Board meetings but was actively involved in discussions with Fund Officers and the Advisor to the Board between, and in preparation for Board meetings.

## **Support for the Board by the Fund Officers and Advisor to the Board**

The LGPS Regulations 2013 require each Administering Authority (Pension Fund) to establish a Pension Board comprised of equal numbers of Employer and Employee representatives to assist the Pension (Fund) Committee. This requirement provides LGPS Funds with a genuine opportunity to significantly enhance the involvement of stakeholders in LGPS Fund Governance.

The ability of a Pension Board to provide effective input and genuinely contribute to the ongoing development, activity, and monitoring of a LGPS Fund, is however, not guaranteed by the fact that there is a regulatory requirement to establish a Board. A fundamental requirement for a Board to be effective is genuine and extensive input and support by the Fund Officers. Throughout 2022-2023 the Board received, as it has since its creation, positive support, advice and guidance from the Officers of the Nottinghamshire Pension Fund with responsibility for the Governance, Administration and Investment aspects of the Fund. This support was clearly evidenced not only by the reports prepared by the Officers but also their briefings provided at Pension Board meetings (and pre Agenda meetings) and their positive and informative responses to the constructive questions and observations of the Board members and the Advisor to the Board.

When the Board was created in 2015 Nottinghamshire County Council took the unusual but very positive approach of appointing an independent external Advisor to the Fund to provide additional support and advice to the Board. John Raisin Financial Services Limited (JRFS) was appointed to this role after competitive tender in 2015, and reappointed following another tendering process in 2021. In 2022-2023, as in previous years, JRFS continued to provide reports for the Board and input at Board meetings and discussions with the Chair and Officers between Board meetings.

It is also appropriate to record the appreciation of the Board to William Bourne, of Linchpin, the Advisor to the Nottinghamshire Pension Fund Committee. William Bourne kindly attended the June 2022 Pension Board meeting to present a report he had prepared on the Investment Policy and Governance of the Nottinghamshire Pension Fund.

## **Training and Development, and LGPS Updates**

Sufficient and effective Training and Development are clearly essential for Board Members to properly discharge their responsibilities. Furthermore, knowledge and understanding are specifically required of Pension Board Members by the Public Service Pensions Act 2013.

At the September 2022 Board meeting a paper from the Advisor to the Board entitled **Pension Board Training Programme** was received. This provided an update on Training covering September 2021 to August 2022 and proposals for both the approach to and sources of Training from September 2022 onwards. At the March 2023 Board meeting a paper entitled **Pension Board Training Proposal Pensions Legislation and Pensions Governance** was received. This proposed that the Advisor to the Board provide a (two hour) training session covering Pensions Legislation and Pensions Governance (which are fundamental to understanding the LGPS) for

new Board members. This was agreed and the training was delivered in early June 2023.

At the June 2022 meeting the Board also received a very informative paper from the Advisor to the Nottinghamshire Pension Fund Committee (William Bourne of Linchpin) which provided Board members with an overview of investment strategy decision making and implementation by the Nottinghamshire Pension Fund. This included due references to the legislative and regulatory framework within which the Fund undertakes investment activity.

In addition during 2022-2023 the Board received two broad ranging **LGPS Updates** from the Advisor. These provided Board members with knowledge and understanding of Governance, Administration and Investment issues with a particular emphasis on national (England and Wales) developments within the LGPS. Issues covered included the Good Governance in the LGPS project, Investment Pooling, Climate Reporting, Age Discrimination in the LGPS (commonly referred to as “McCloud”) and Pension Fund Accounts.

In January 2023 the Board Chair attended the two day annual **LGPS Governance Conference** which covered a broad range of issues including keynote addresses from the Pensions Ombudsman and the Pensions Regulator, as well as an update from the Scheme Advisory Board. There were also number of sessions on a wide range of issues including the 2022 Actuarial Valuation, challenges within Pensions Administration and Responsible Investment. A detailed report on the Conference was prepared and presented to the March 2023 Board meeting by the Pensions (Administration) Manager who also attended the conference.

### **Review of the Pension Fund Risk Register**

The management of Risk is clearly a key responsibility of those charged with the Governance and management of an LGPS Fund. While the ultimate responsibility at the Nottinghamshire Fund lies with the Pension Fund Committee the Pension Board clearly also has a role in Risk Management. The Foreword to the CIPFA publication on Managing Risk in the LGPS (2018) states *“As part of their governance processes funds should be regularly reporting all risks to committee and the local pension board, embedding a robust risk management approach and processes which link to all key strategic documents as well as recording risks and progress on an active risk register.”*

Therefore it was, as in the previous year (2021-2022), appropriate and indeed necessary that the **Pension Fund Risk Register** together with an informative covering report explaining the Purpose and Objectives of the Fund, the Risk Management Strategy of the Fund, the Key Parties involved in the Fund and their responsibilities, was presented to, and actively considered by the Board at each of its three meetings during 2022-2023. As in 2021-2022, the resourcing of the Pension Fund remained the highest Current Risk on the Risk Register with a score of “12” and a rating of “HIGH”

A crucial element of Risk Management is examination, active consideration, and as appropriate constructive questioning of the Risk Register by the Pension Board. This was a clear activity of the Board throughout 2022-2023. The Board raised constructive questions and helpful observations in respect of a number of issues including the review of the Pension Fund's approach to Risk Management itself, cyber security and recruitment.

The issue of recruitment was rightly a matter of concern to the Board. Fund Officers stated that while further funding had been agreed to support additional posts (particularly time limited appointments for McCloud and GMP reconciliation) there had been difficulties in recruiting. These difficulties were, however, common across the LGPS. Board Members raised constructive questions and observations in relation to these recruitment difficulties including seeking reasons for the level of staff vacancies. Given the concerns of the Board regarding the resourcing of the Pension Fund going forward the Board resolved at its meeting held on 23 June 2022 *"That the Board requests the Nottinghamshire Pension Fund Committee considers commissioning a review into the resourcing of the Pension Fund on the staff side."*

### **Pension Administration Issues**

Effective Pensions Administration is absolutely fundamental to the Nottinghamshire Pension Fund. Ultimately the Pension Fund only exists to provide pension benefits to those entitled to them as determined by the LGPS Regulations. There was a particular focus on Pensions Administration at the meeting held on 29 September 2022 which received a detailed **Pension Administration Performance Report** from the Pensions (Administration) Manager. This covered the work and performance of the Pensions Administration Team for the period 1 April 2021 to 31 March 2022.

The report included coverage of - the extensive range of the Team's functions and responsibilities; its structure including an extensive narrative and analysis of resourcing; recruitment and retention issues; Data Quality; Pension Fund Member Statistics; Complaints and Internal Dispute Resolution Procedure Appeals; Performance Data including statistics, commentary, and explanations/analysis. In his presentation of the above report to the Board the Pensions (Administration) Manager highlighted that the Team had faced another challenging year with both the ongoing accuracy and further improvements in data quality continuing areas of focus.

The Pensions Administration Team was also facing clear challenges in terms of the recruitment/retention of staff which is an issue nationally. The Nottinghamshire Fund is seeking to address this challenge including introducing an apprenticeship programme within the Pensions Administration Team. However, resolving on a long term basis, the challenges around the resourcing of the staff element of the Pensions Administration function will not be straightforward.

The September 2022 meeting also received a report and briefing on the **National Pensions Dashboard** including its implications for the Nottinghamshire Pension Fund. In response to the **Pension Administration Performance Report** and the **National Pensions Dashboard** Board members raised a number of constructive questions and observations.



## **Investment Issues**

While the Pension Board has no role in Investment decision making the Pension Board does have, in accordance with both the LGPS Regulations and its Terms of Reference (as determined by Nottinghamshire County Council), a role in reviewing Governance and operational arrangements relating to any activity including the Investment activity of the Fund. Therefore it was extremely relevant and helpful to the Board that at its meeting on 23 June 2022, the Advisor to the Nottinghamshire Pension Fund Committee (William Bourne of Linchpin) prepared and presented a paper with the title **Investments Policy and Governance**.

The Advisor to the Pension Fund Committee began his presentation by stating that the purpose of the report was to provide the Board with some assurance that the way the Fund is invested will result in pensions being paid on time and in full. In this paper, and his oral presentation to the Pension Board, the Advisor to the Pension Fund Committee provided a wide range of information and explanation relating to the investment activity of the Nottinghamshire Pension Fund. This included the overall legal framework within which investment decision making and activity is undertaken, the requirement to take “*proper advice*,” the fiduciary duty, the objectives that underpin investment activity, the discount rate and the Fund’s investment target, the concept of diversification, the strategic asset allocation, an explanation of each of the asset classes utilised by the Nottinghamshire Pension Fund, the requirement to invest in a responsible and sustainable way, the process of implementing the investment strategy (through third party managers and utilisation of asset Pooling).

In his oral presentation William Bourne emphasised the importance of investment strategy compared to the choice of investment manager, and that the fiduciary duty is to deliver a financial return to pay pensions which is of fundamental (and primary) importance. The Advisor to the Pension Fund Committee reminded the Pension Board that the ultimate responsibility for investment lies with the Pension Fund Committee (supported by the Fund Officers). The paper included (at paragraph 25) the statement *that “... **the demands on the Scheme Manager are increasingly complex** and there is stakeholder pressure, particularly over climate change, to take actions which may not be in the long-term interests of members. Against this background the Board may like to consider both whether the resource provided is adequate and at the right grade, and whether key person risk is sufficiently mitigated.”* William Bourne specifically referred to and highlighted this paragraph during his presentation to the Pension Board.

In the final paragraph of his paper (paragraph 30) William Bourne stated “*In summary, the Fund has a very long-term investment horizon and even a sustained period of poor returns will not affect its ability to pay pensions. I can offer an assurance that its assets are appropriately invested, though by the nature of investment markets this cannot be a guarantee. The greatest risks to the Fund come from governance, either a possible failure at the pool, or inadequate resources and key person risk at the Fund level.*” This paper and its presentation raised a number of questions and observations from Board members in relation to asset Pooling, allocations to Listed Equities and Employer contributions.

## **Work Programme**

At each of the three meetings held during 2022-2023 an updated Work Programme was presented to the Board for its consideration. The Work Programme presented to each Board meeting had previously been reviewed by the Board Chair, Advisor to the Board, and Fund Officers at the pre-agenda meeting held to agree the Agenda and reports for the next Board meeting. At each Board meeting members were actively encouraged to identify any additional issues for inclusion in the Work Programme.

## **Conclusion and Going Forward**

The Nottinghamshire Pension Fund operates within the overall regulatory/guidance framework as defined by the LGPS Regulations, associated Statutory Guidance and other overriding legislation and recommended principles of best practice. Reports and presentations made to the Pension Board in 2022-2023 gave assurance to the Board that the Nottinghamshire LGPS Fund is clearly seeking, through its approach to Risk Management and the operation of the Pensions Administration and Investment functions, to properly comply with its obligations.

As was, however, clearly evidenced in reports received by the Board in 2022-2023 the LGPS is becoming ever more complex in terms of its Governance, Administration, and Investment functions. The reports and oral presentations received by the Board (across Risk Management, Pensions Administration and Investment) also clearly demonstrated that resourcing, particularly staff resourcing, is an area that the Nottinghamshire LGPS Fund needs to keep under careful consideration and review. Indeed the issue of appropriate resourcing and in particular in relation to recruitment and retention was an area of particular focus for the Board in 2022-23. This will, in support of the Pension Fund Committee, all Employers, and individual Scheme members, continue to be so going forward.

**John Raisin**

**Advisor to the Nottinghamshire LGPS Local Pension Board**

In consultation with

**Thulani Molife**

**Chair of the Nottinghamshire LGPS Local Pension Board**

**8 November 2023**

John Raisin Financial Services Limited  
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# JOHN RAISIN FINANCIAL SERVICES LIMITED

## The Nottinghamshire Local Pension Board

### LGPS Update

#### A paper by the Advisor to the Pension Board November 2023

#### Introduction

This paper informs and updates the Pension Board in respect of two extremely important issues relating to the LGPS at a national level. These are:

1. The LGPS Consultation “Next Steps on Investments”
2. The issuing of Regulations to implement the McCloud remedy in the LGPS

#### 1. The LGPS Consultation “Next Steps on Investments”

On 11 July 2023 the DLUHC issued a Consultation entitled “**Local Government Pension Scheme (England and Wales): Next steps on Investments.**” The period for responses to the Consultation closed on 2 October 2023. The Consultation included the long awaited (since 2019) Government proposals on the further development of Investment (Asset) Pooling.

The Consultation also included proposals relating to four other issues:

- Levelling Up
- Private Equity
- Investment Consultancy Services to the LGPS
- Definition of Investments

In respect of **Investment (Asset) Pooling** the Consultation included a number of very significant proposals including a deadline of March 2025 for LGPS Funds to transition all their listed assets to their Investment Pool, the expansion of in house investment by Investment Pools, proposals as to how LGPS Funds and Investment Pools should interact (in essence to increase the influence of Investment Pools over investment issues, see particularly Paragraph 31 of the Consultation), revised guidance on reporting, and a longer term “*transition towards fewer (Investment) pools to maximise benefits of scale.*”

In respect of **Levelling Up** a proposal to amend the LGPS Regulations “to require funds to have a plan to invest up to 5% of assets to support levelling up in the UK, as announced in the Levelling Up White Paper (LUWP)” The Consultation also included a proposal to require LGPS Funds to report annually on their Levelling Up plan in their Annual Report.

In a chapter titled **Investment opportunities in Private Equity** the Consultation proposed that LGPS Funds should have an ambition to invest 10% of their assets into Private Equity. Although the Consultation did not explicitly state that such investment in Private Equity must be in the United Kingdom the Government’s clear preference for this is clear in the narrative within the Consultation (see Paragraphs 84,88,89,90). In respect of Private Equity investment the Consultation placed some particular emphasis on “*venture capital*.”

With regard to the provision of **Investment consultancy services to the LGPS** the Consultation proposed to clarify that all LGPS Funds be required to set objectives for their providers of Investment Consultancy services. However where Investment Pools provide any such services to a LGPS Fund they would be exempt from this proposal.

The Consultation also proposed a technical change to the LGPS **definition of investments** to remedy an omission in the “Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.”

The Consultation includes a range of extremely important proposals which by their nature are likely to have resulted in a very significant level of response from LGPS stakeholders and in particular the 86 LGPS Funds and 8 Investment (Asset Pools) across England and Wales. It is not known when the Government will respond to the responses to the Consultation or issue any consequent LGPS Regulations and Statutory Guidance. However based on the experience from previous investment related LGPS Consultations a timely response from Government would seem most unlikely.

For the information of the Board the Nottinghamshire response to the Consultation was presented to the Pension Fund Committee at its meeting held on 12 October 2023 and may be accessed by following the link [Letterhead Template \(Colour\) \(nottinghamshire.gov.uk\)](https://www.nottinghamshire.gov.uk/letterhead-template-colour).

The Board may also be interested in the response of the LGPS Scheme Advisory Board for England and Wales (SAB) to the Consultation which can be accessed by following the link [DLUHC Investment consultation SABresponse.pdf \(lgpsboard.org\)](https://www.lgpsboard.org/Document/Download/DocumentID/123456789/DocumentName/2023-09-27-DLUHC-Investment-consultation-SABresponse.pdf)

## **2. Regulations to implement the McCloud remedy in the LGPS**

As reported in the previous LGPS Update received by the Board at its meeting on 15 June 2023 the DLUHC issued on 30 May 2023 a further Consultation ***“McCloud’ remedy in the LGPS – supplementary issues and scheme regulations.”*** This Consultation closed on 30 June 2023. The DLUHC issued the outcome to this Consultation on 8 September 2023 and on that day also issued The Local Government Pension Scheme (Amendment) (No 3) Regulations 2023 which came into effect from 1 October 2023.

These new Regulations implement the “McCloud” remedy in the LGPS by removing age discrimination in the LGPS in accordance with the Court of Appeal decision of 2018 and the Government’s confirmation, of July 2019, that there would be changes to all public service pension schemes, including the LGPS, to remedy this issue.

In summary to qualify for the new (underpin) protections individual Members of the LGPS need to meet the following criteria:

- Were a member of the LGPS or another public service pension scheme before 1 April 2012.
- Contributed to the LGPS at some point during the period between 1 April 2014 and 31 March 2022 or transferred in another public service pension scheme membership where the Member contributed to the Scheme at some time during this period.
- Have been a member of the LGPS or another public service pension scheme without a continuous break of more than 5 years.

Underpin protection only applies to pension built up in the remedy period, between 1 April 2014 and 31 March 2022. The underpin ceases earlier if the Member left the scheme or reached their Final Salary normal retirement age (usually 65) before 31 March 2022. From 1 April 2022, there is no underpin protection. Pension built up after this date is based on the Career Average Scheme only and there is no further link to the former Final Salary Scheme.

The McCloud remedy, including the implications for the Nottinghamshire Fund is considered further in the report **Update on the progress on the impact of the McCloud Judgement on the administration of the Pension Fund** elsewhere on this Agenda.

**John Raisin**

8 November 2023

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**30 November 2023****Agenda Item: 6****REPORT OF THE SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE AND  
EMPLOYEES****LOCAL GOVERNMENT PENSION SCHEME (LGPS) – PENSION  
ADMINISTRATION PERFORMANCE REPORT****Purpose of the Report**

1. The purpose of the report is to inform the Nottinghamshire Pension Board of the work of the Pension Administration Team for the period 1 April 2022 to year ending 31 March 2023.

**Information and Advice****Background**

2. The LGPS is a statutory scheme with regulations made under the Superannuation Act 1972 and the Public Service Pensions Act 2013. The LGPS is a defined benefits scheme based, since 1 April 2014, on 'Career Average Revaluated Earnings' (CARE). Members benefits are determined strictly in accordance with the scheme regulations and are not affected by the value of Fund assets. Where members joined the scheme before 1 April 2014, protections are in place for their benefits to be based on accrued scheme membership to that date and their full-time equivalent pensionable pay at retirement.
3. One of the of the principal areas of focus across the Local Government Pension Scheme is always the performance of scheme employers providing their statutory data to Administering Authorities in a timely manner to enable the updating of member records. The Scheme Advisory Board along with the Local Government Association continues to highlight this matter.

**Pension Benefits Administration**

4. The Pensions Office undertakes the administration of the pension benefits of the scheme members against the regulations of the Local Government Pension Scheme, and the administration broadly comprises of:
  - Maintaining a database of:
    - Active members (i.e.) contributors
    - Pensioners, including widows, widowers, and dependants.
    - Those with deferral benefits that will become payable in the future.
  - Providing Annual Benefit Statements to active and deferred scheme members

- Providing estimates of benefits
- The calculation and payment of retirement benefits
- The calculation and payment of transfer values to other schemes
- Processing transfer values from “club” and local government schemes
- Providing valuations, a splitting of pensions in divorce cases
- Communicating with employers and scheme members on scheme changes and pensions issues
- Onboarding new scheme employers
- Supporting employers to carry out their responsibilities under the LGPS Regulations
- Reconciling employers’ monthly and annual contribution rates
- Providing pension savings statements to scheme members as appropriate.
- Providing data for triennial valuations and the annual FRS102 for all but large bodies who report in accordance with AIS19.
- Replying to questions and issues raised by scheme members and employers.
- In addition, the office also undertakes some of the employer related work of the LGPS on behalf of Nottinghamshire County Council

The Fund is undertaking several related statutory projects which require the collection, checking and the rectification of records. Separate reports have been provided to committee on these activities. These being:

- The McCloud national project
- GMP Reconciliation

5. The current Pension Team structure comprises the following:

- a. Pensions Administration
- b. Employer Support and Compliance
- c. Technical/Communications
- d. Technical/Performance
- e. Temporary McCloud Project establishment

6. The following table details the Pension Administration establishment and occupied posts. There have been several staff movements during the 2022-2023 Financial Year, this has included the recruitment of four new members of staff in October 2022 who are currently undergoing a training programme. Given the complexity of the LGPS regulations it takes time for new members of staff to be trained up to the required standard. The training programme involves “on the job training” and attending some external residential training events arranged by the LGA. The new members of the team also have a “buddy” nominated from our existing team to provide one-to-one support through their training.

7. Following approval by Committee in July 2021 several temporary posts were established to support the pension team to respond to the McCloud National Project which will require the recalculation of member benefits. All posts have been advertised but it has proved difficult to appoint due to the labour market. All LGPS funds are reporting some difficulty in recruiting staff, and this is being monitored by the Local Government Association.

|  | Establishment                                   | As at<br>31.03.2021 | As at<br>31.03.2022 | As at<br>31.03.2023 |
|--|---|---------------------|---------------------|---------------------|
| Pension Team   | 26.20   | 25.77               | 23.18               | 27.33               |
| Pension System Team  | 4 FTE<br>This includes 1 FTE<br>FTC for McCloud | 3                   | 4                   | 4                   |
| GMP Project Manager<br>(Temporary post until 31.12.22)                                 | 1   | 1                   | 1                   | 1                   |
| <b>McCloud Project – all posts current offered as fixed term contracts for 2 years</b> |   |                     |                     |                     |
| Project Manager  | 1   | 1                   | 1                   | 1                   |
| Data Officer   | 1   | N/A                 | 1                   | 1                   |
| Admin Team   | 7   | N/A                 | 0                   | 1                   |
| Employer Support & Compliance  | 1   | N/A                 | 0                   | 1                   |
|  | <b>40.2</b>                                     | <b>30.77</b>        | <b>30.18</b>        | <b>36.33</b>        |

8. Due to the current number of vacancies and with a view to succession planning, the fund is currently advertising for three apprentices to undertake the 18-month Pension Administrator apprenticeship scheme leading to professional qualifications and a permanent post should they on the successful completion of the scheme. In time the council plans to offer the apprenticeship to existing members of the team.
9. It can also be reported that the LGA has established a National Working Group on the development of a specific LGPS apprenticeship qualification.
10. The Pension Team are also supported by several other teams within the Business Service Centre (BSC) whose work is recharged to the Pension Fund these include –
- The Business Hub Team who undertakes a range of clerical and administrative tasks on behalf of the Pension Administration Team.
  - The Authority's Payroll Service who processes the monthly Pensioners Payroll on behalf of the Nottinghamshire Pension Fund.
  - BSC Security and Authorisation Team who are undertaking several activities to support the Employer Portal rollout.
11. The total cost of administration expressed as a cost per member for the past five years is shown in the table below –

| £ per member | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--------------|------|------|------|------|------|------|------|------|
|              |      |      |      |      |      |      |      |      |

|  |        |        |        |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|--------|--------|--------|
| The Fund cost per member                         | £15.93 | £11.18 | £14.23 | £13.59 | £14.37 | £14.08 | £14.08 | £15.35 |
| Average cost per member in the benchmarking club | £18.73 | £18.69 | £20.14 | £21.85 | £21.34 | £20.02 | £21.05 | £21.69 |

## Data Quality

12. The Pensions Regulator has continued to raise concerns across the LGPS Funds relating to data quality and the need for improvement. The Regulator requires all Funds to maintain accurate records. The Fund is required to have a data improvement plan as specified by the Regulator. Failure to do so can put the Pension Fund at risk of failing to meet its legal obligations, and the Regulator will take enforcement action where schemes are not meeting the standards expected or taking appropriate steps to improve pension records.

13. Data is important to the Administering Authority for several reasons, the main reasons being:

- a. Members are paid the pensions to which they are entitled.
- b. Employers' costs are reliable/correct.
- c. Investment and administration costs are reliable/correct.
- d. Fund valuations reflect true costs/ liabilities of the fund.
- e. Cost effective administration – less queries.
- f. Reduce Internal Dispute Resolution Procedure cases.
- g. Avoid the Pensions Regulator
- h. Maintains the scheme's reputation.

14. Members will be aware that the pension fund has an Administration Strategy which provides a framework for the management of scheme employers' responsibilities to ensure that the Administering Authority receives accurate data in a timely manner. Included in the Administration Strategy is a service level agreement, which is designed to enable the monitoring of activities, undertaken by scheme employers and the Administering Authority.

15. The Administration Team is continually updating records, chasing employers, and reminding members of the scheme to update the Fund of changes of personal circumstances, e.g., changes of address.

16. To meet the requirements set out by the Regulator, the Fund reported the following:

|                                  | 2019<br>Accuracy | 2020<br>Accuracy | 2021<br>Accuracy | 2022<br>Accuracy |
|----------------------------------|------------------|------------------|------------------|------------------|
| Common Data                      | 59%              | 76%              | 85%              | 87%              |
| Conditional/Scheme Specific Data | 60%              | 43%              | 54%              | 64%              |



- **Common data** – Common data is the basic information which every scheme should hold for each member, such as name, address, and date of birth. It is the information that identifies their benefits and allows the scheme to stay connected with them.
- **Conditional/Scheme specific data** – This is the data used for calculating pension benefits.

17. The Data Audit and Improvement workstream approved by Pension Committee in September 2019, is progressing into its final phase. This activity now enables the pensions administration team to measure data more accurately. The final phase requires internal data rectification, along with some data being rectified at source with the scheme employers. The work has highlighted changes in our data scores with an increase in common data accuracy. Following an initial decrease in the conditional/scheme specific data score, this too has increased following the initial application of a range of rectification routines.

### Pension Fund Membership Statistics

18. On 31<sup>st</sup> March each year, the Administering Authority reports a set of figures that identify the number of members within the fund under certain categories. These figures are used to populate the fund's annual report, along with other statistical reports including the Office of National Statistics, the Pension Regulator Scheme Return, and the Cipfa Benchmarking report.

19. The following table details the membership of the Fund against each category and sets a context to the size of the fund.

| Type of Member   | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|------------------|---------|---------|---------|---------|---------|---------|
| Active Members   | 44,436  | 46,350  | 47,841  | 43,957  | 44,299  | 45,758  |
| Deferred members | 46,448  | 47,365  | 56,068  | 60,935  | 62,501  | 65,212  |
| Pensioners       | 35,245  | 37,157  | 38,923  | 40,481  | 42,715  | 44,732  |
| Total Membership | 126,129 | 130,872 | 142,832 | 145,373 | 149,515 | 155,702 |

20. In addition, it is important to understand the context of the number of employers in the Fund as this increases the complexity of managing the collection of data from different employers.

The following table gives a breakdown of the employers in the scheme. The headline figure in the table shows a net increase of twelve employer bodies which are due to new admission bodies, but there has been a reduction in the number of active employers to 295. The Fund is continuing to consolidate academy trust schools into single employers. This trend will continue as academies continue to consolidate, and we anticipate further requests to the Secretary of State for other academies to transfer in and potentially out of the Fund. There is an advantage to the Fund for Academy Trusts to consolidate as it reduces complexity of administration along with reducing costs due to economies of scale.

21. The table (below) also shows the movement of employers in the Fund with employers withdrawing from the scheme, as they no longer have any active members of the scheme, which drives an employer closure.

|                         | 2021              | 2022             |                   |                   | 2023             |                   |                   |
|-------------------------|-------------------|------------------|-------------------|-------------------|------------------|-------------------|-------------------|
|                         | as at<br>31/03/21 | Number<br>Joined | Number<br>Leaving | as at<br>31/03/22 | Number<br>Joined | Number<br>Leaving | as at<br>31/03/22 |
| <b>Scheduled</b>        |                   |                  |                   |                   |                  |                   |                   |
| Local Authorities       | 9                 | 0                | 0                 | 9                 | 0                | 0                 | 9                 |
| Academies               | 153               | 7                | 17                | 143               | 8                | 0                 | 151               |
| Others - active         | 54                | 0                | 1                 | 53                | 1                | 1                 | 53                |
| Others - closed         | 114               | 19               | 1                 | 132               | 1                | 0                 | 133               |
| <b>Total Scheduled</b>  | <b>330</b>        | <b>26</b>        | <b>19</b>         | <b>337</b>        | <b>10</b>        | <b>1</b>          | <b>346</b>        |
| <b>Admitted</b>         |                   |                  |                   |                   |                  |                   |                   |
| Admission               | 54                | 5                | 3                 | 56                | 16               | 8                 | 64                |
| Others - active         | 22                | 0                | 2                 | 20                | 0                | 2                 | 18                |
| - defunct               | 102               | 5                | 0                 | 107               | 10               | 0                 | 117               |
| <b>Total Admitted</b>   | <b>178</b>        | <b>10</b>        | <b>5</b>          | <b>183</b>        | <b>26</b>        | <b>10</b>         | <b>199</b>        |
| <b>Total</b>            | <b>508</b>        | <b>36</b>        | <b>24</b>         | <b>520</b>        | <b>36</b>        | <b>24</b>         | <b>545</b>        |
| <b>Active employers</b> | <b>292</b>        |                  |                   | <b>281</b>        |                  |                   | <b>295</b>        |

The following is a list of new scheme employers 2022-2023

| Scheme employer  | Type of employer              |
|--|-------------------------------|
| Q3 Services Group Limited                                      | Admitted - Admission          |
| Aspens Services Limited (OLOL)                                 | Admitted - Admission          |
| LTA Services Limited   | Admitted - Admission          |
| South Laverton Parish Council                                  | Schedule 2-part 2             |
| Nottinghamshire Sexual Violence Support Services Limited       | Admitted - Admission          |
| Nexus Multi Academy Trust                                      | Schedule 2 part 1 - Academies |
| Cotgrave Church of England Primary School                      | Schedule 2 part 1 - Academies |
| Vertas Group Limited (Diverse Lot 1)                           | Admitted - Admission          |
| Vertas Group Limited (Diverse Lot 2)                           | Admitted - Admission          |
| Serco Leisure Operating Limited                                | Admitted - Admission          |
| Aspens Services Limited (Creative - Bulwell)                   | Admitted - Admission          |
| Aspens Services Limited (Transform)                            | Admitted - Admission          |
| FSM Centres Limited  | Admitted - Admission          |
| Coombs Catering Partnership Limited                            | Admitted - Admission          |
| Brunts Academy (GAT)   | Schedule 2 part 1 - Academies |
| Bramble Academy (GAT)  | Schedule 2 part 1 - Academies |
| Huthwaite All Saints Church of England Infant & Nursery School | Schedule 2 part 1 - Academies |
| Selston Church of England Infant & Nursery School              | Schedule 2 part 1 - Academies |
| Millside Spencer Academy                                       | Schedule 2 part 1 - Academies |
| Mellors Catering Services Limited (TCT)                        | Admitted - Admission          |

|  |                               |
|--|-------------------------------|
| Gamston St Peter's C of E Primary School | Schedule 2 part 1 - Academies |
| Aspens Services Limited (Meden)          | Admitted - Admission          |
| Our Learning Cloud Limited               | Admitted - Admission          |
|  |                               |
| Hi Spec Facilities Services, Limited     | Admitted - Admission          |
| Accuro FM Ltd (GNET)                     | Admitted - Admission          |

### The following is a list of exiting scheme employers 2022-2023

| Scheme employer  | Type of employer       |
|--|------------------------|
| Nottinghamshire County Scout Association                 | Community body         |
| Bassetlaw Citizens Advice Bureau                         | Community body         |
| Mansfield District Leisure Trust Ltd                     | Admission - Transferee |
| Tarmac   | Admission - Transferee |
| Streetwise Environmental Ltd                             | Designating body       |
| Bulloughs Cleaning Services Ltd                          | Admission - Transferee |
| Compass Contract Services (UK) Limited (Leamington)      | Admission - Transferee |
| Pedal Express Limited                                    | Admission - Transferee |
| OCS Group UK Ltd (Project co 2)                          | Admission - Transferee |
| Capita IT Services (BSF) Limited - Bulwell               | Admission - Transferee |
| Nottinghamshire Sexual Violence Support Services Limited | Admission - Transferee |

### Complaints and Internal Dispute Resolution Procedure Appeals

22. Set out below are two tables which provide details of the number of formal appeals received by the Administering Authority in 2022-2023. These are appeals at stage 1 and stage 2 of the Internal Dispute Resolution Procedure process along with the number of appeals that the Administering Authority is aware of that have been submitted to the Pension Ombudsman in respect of cases escalated following the two-stage adjudication process.

Last year Committee was advised that the fund continued to receive subject access requests made by claims companies seeking information relating to members who transferred their benefits out of the Pension Fund in past years. In 2020/21 the scheme received seventeen against fourteen for 2021/22. However, 2022/23 has seen no subject access requests from claim companies, and none of the claims that were made in the previous years have been taken forward following a robust response from the fund. However, the fund has reviewed its processes so that they are robust and in accordance with the regulations.

### Independent Disputes Resolution Procedure (IDRP)

#### IDRP -Stage 1 Appeals against the Administering Authority and Employers 2022-2023

| Total | Appeals upheld | Appeals dismissed | Progressed to stage 2 | Awaiting Decision |
|-------|----------------|-------------------|-----------------------|-------------------|
| 5     | 2              | 3                 | 2                     | 0                 |

#### IDRP - Stage 2 Appeals against the Administering Authority

| <b>Total</b> | <b>Appeals upheld</b> | <b>Appeals dismissed</b> | <b>Progressed Ombudsman</b> | <b>Awaiting Decision</b> |
|--------------|-----------------------|--------------------------|-----------------------------|--------------------------|
| <b>3</b>     | <b>2</b>              | <b>0</b>                 | <b>Not Made aware</b>       | <b>1</b>                 |

## **Pensions Administration System**

23. The Pension Administration system used by the Nottinghamshire Pension Fund is the Universal Pensions Management (UPM) system, provided by Civica UK. UPM was implemented in 2015 and is an 'on premise' system with the servers located at the County Hall Data Centre and the Node 4 site in Derby, for resilience. The infrastructure is managed by Nottinghamshire County Council ICT and regular co-ordination with the Pensions Systems team. Maintenance and upgrades are undertaken on a regular basis to ensure the system remains compliant. All new developments and upgrades from the software supplier are evaluated, assessed, and deployed in line with the requirements of the Pension Office.

## **Employer Support and Compliance Team**

24. The Pension Office Employer Support and Compliance team is responsible for liaison with scheme employers on a range of matters in relation to their responsibilities under the LGPs Regulations. This includes –

- Supporting employers in undertaking their responsibilities.
- Communicating regulation and process changes to LGPS employers.
- Resolving problems in relation to the quality of information supplied by LGPS employers.
- The development of improved communication methods between the Pensions Office and LGPS employers.
- Work on Employer acceptance into the scheme, plus also employer closures.
- The review and improvement of information and administrative systems.

25. The team also have the following contact with Nottinghamshire LGPS Scheme Employer representatives –

- Year-end meetings are undertaken yearly to support preparation for and understanding of reporting requirements at year end.
- Meetings with employer representatives to communicate changes to the LGPS Regulations and the impact on employer responsibilities.
- Ad hoc individual or group support and training sessions with LGPS Employers

26. The Team continues to monitor the performance of scheme employers to ensure that scheme employers meet their statutory requirements in the administration of the scheme.

27. The Team has continued to collaborate with employers to improve the submission of pension data to the Fund.

28. In addition, there are also statutory requirements for participating scheme employers to provide timely and accurate year-end data. For the year 2022-2023, participating employers in the scheme were required to provide accurate year-end data by 05 May 2023.

29. The annual benefit statements were issued to deferred members of the scheme by June 2023 with all active benefit statements issued by week commencing 14 August 2023. There will be a further issue of benefit statements, where data was either provided late to the fund or there were queries with the submitted data which had to be rectified before benefit statements could be issued.

30. Where employers fail to meet the requirements set out in the Administration strategy the Pension Fund reserves the right to charge the employer for additional administration time where appropriate. The fund also reserves the right to report employers to the Pension Regulator where there is a breach of statutory regulations.

31. The following table provides information on employer submissions to year end data over the last six-year ends.

| <b>Year End</b> | <b>Number of submissions received by submission date</b> | <b>Accurate submissions received by submission date</b> | <b>Submission date</b> | <b>Number of Employer returns expected</b> | <b>Percentage of expected returns received by the deadline</b> | <b>Percentages of Accurate returns by the deadline</b> |
|-----------------|--|---|------------------------|--|--|--|
| 2014-2015       | 112  | 92  | 31 May 2015            | 260  | 43%  | 35%  |
| 2015-2016       | 162  | 157   | 30 April 2016          | 276  | 59%  | 57%  |
| 2016-2017       | 253  | 166   | 2 May 2017             | 310  | 82%  | 54%  |
| 2017-2018       | 314  | 183   | 14 May 2018            | 337  | 93%  | 54%  |
| 2018-2019       | 272  | 162   | 13 May 2019            | 341  | 80%  | 47.5%  |
| 2019-2020       | 304  | 206   | 15 May 2020            | 342  | 88.8%  | 60%  |
| 2020-2021       | 261  | 138   | 14 May 2021            | 296  | 88%  | 46.6%  |
| 2021-2022       | 249  | 153   | 9 May 2022             | 286  | 87%  | 53.5%  |
| 2022-2023       | 226  | 150   | 5 May 2023             | 288  | 78.50%   | 52.10%   |

32. The implications of not receiving data from scheme employers can be serious, potentially leading to incorrect pension calculations. Without the correct data, the Administering Authority may not be able to issue annual benefit statements to individual members where the scheme employer has failed to provide the required data. This type of situation would result in a breach of the statutory regulations and may result in the fund being subject to a fine. Any fines will be passed on to the appropriate non-compliant scheme employers.

33. The Pension Fund is monitoring employers' performance and undertaking several audits on employers' data. Each year following year end the team does send invoices for additional work undertaken when scheme employers fail to provide their statutory data on time.

### **Performance Data**

34. Performance statistics in the table below represent the fourth quarter of 2022/23 and compares the performance of the Administration Team fund KPIs against the Cipfa benchmark legal requirement. Overall, the fund performance average against our KPIs is 75% against 67% the previous year. This has been impacted by the increased activity in retirements, transfers, and deaths of pension members. The fund continues to see an increase in the number of deferred members taking their benefits.

**1st April 2022 to 31st March 2023.**  
**Annual Fund Key Performance Indicators for Cipfa benchmark**

| Process  | Cipfa Benchmark<br>Legal Requirement<br>(from notification) | % of cases<br>completed within<br>the CIPFA KPI | No. cases<br>completed |
|--|---|---|------------------------|
|  |   |   |                        |
| <b>Deaths (ALL)</b>  | 2 Months  | 89.14   | 962                    |
| or   |   |   |                        |
| <b>Deaths – Acknowledging death of member Letter</b>                                   | 2 Months  | 82.42   | 421                    |
| <b>Deaths – Letter notifying amount of dependants pension</b>                          | 2 Months  | 63.77   | 541                    |
|  |   |   |                        |
| <b>Deferments</b>  | 2 Months  | 25.74   | 2887                   |
|  |   |   |                        |
| <b>Retirements (All)</b>   | 2 Months  | 88.21   | 7058                   |
| or   |   |   |                        |
| <b>Retirements – Process &amp; Pay Pension Benefits</b><br>(at next available payroll) | 2 Months  | 85.19   | 2668                   |
| <b>Retirements –Estimate of retirement benefits Letter</b><br>(Cat A)                  | 2 Months  | 96.61   | 1387                   |
| <b>Retirements –Estimate of retirement benefits Letter</b><br>(Cat B)                  | 2 Months  | 92.11   | 76                     |
| <b>Deferred Retirement Quotes (No SLA Equiv)</b>                                       | 2 Months  | 86.88   | 2927                   |
|  |   |   |                        |
| <b>Transfer Quotes</b>   | 2 Months  | 40.72   | 781                    |
| <b>Transfers (No BP Equiv)</b>   | **  | **  | **                     |
|  |   |   |                        |
| <b>Divorce Quotes (No SLA Equiv)</b>   | 3 Months  | 97.85   | 279                    |
| <b>Divorce Settlement (No SLA Equiv)</b>   | 3 Months  | 27.27   | 11                     |
|  |   |   |                        |
| <b>Refund (No SLA Equiv)</b>   | 2 Months  | 95.38   | 303                    |
|  |   |   |                        |

35. Table 1 details the total number of completed processes in the Financial Year with the measurement commencing in 2018/2019. This table shows the increase in the number of completed processes year on year with the exception for 2020-2021, where a decrease was recorded. However as can be seen from the figures for 2022-2023 the number of completed processes within KPIs has increased to 58,576 an increase of 1,676 completed processes or 2.95%.

| Table 1                   |         |         |          |         |         |
|---------------------------|---------|---------|----------|---------|---------|
| Years                     | 2018/19 | 2019/20 | 2020/21  | 2021/22 | 2022/23 |
| No of Processes completed | 51,976  | 56,722  | 53,121   | 56,900  | 58,576  |
| Difference                | 0       | 4,746   | -3,601   | 3,779   | 1,676   |
| % Change in Difference    | → 0.00% | ↑ 9.13% | ↓ -6.35% | ↑ 7.11% | ↑ 2.95% |

36. Table 2 gives a comparison of KPI activities reported in the Pension Administration System, which shows a slight increase figures in 2021/22 with another increase for 2022/23 This can be explained that overall, the Pension Admin Team has seen an increase in work across the function which has impacted on the Admin Team's ability to meet its KPIs. The scheme has seen an increase in retirements especially from deferred members over fifty-five seeking initial release of pension benefits, and this trend has continued into the current financial year.

| Table 2                       |         |          |          |          |          |           |
|-------------------------------|---------|----------|----------|----------|----------|-----------|
| Years                         | 2017/18 | 2018/19  | 2019/20  | 2020/21  | 2021/22  | 2022/23   |
| No of KPI Processes Completed | 7,617   | 10,688   | 12,138   | 11,723   | 14,773   | 13,130    |
| Difference                    | 0       | 3,071    | 1,450    | -415     | 3,050    | -1,643    |
| % Change in difference        | → 0.00% | ↑ 40.32% | ↑ 13.57% | ↓ -3.42% | ↑ 26.02% | ↓ -11.12% |

37. There continues to be a significant increase in requests from deferred pension members over 55 years of age to seek payment of their pension benefits. However, in table 1 there has been an overall increase in the number of total processes that the fund has completed and gives an understanding in increased work overall. In contrast the scheme has seen a decrease in KPI processes completed which indicates that the fund has shifted resources to undertake other work, including work on the Valuation activities like checking data for the final valuation. The table above shows there has been a slight decrease in the numbers of completed KPI processes across the fund.
38. The member death process is the most difficult statistic to gather and measure. The difficulty is the date and timing of when the Pension Administration Team are informed of a death,

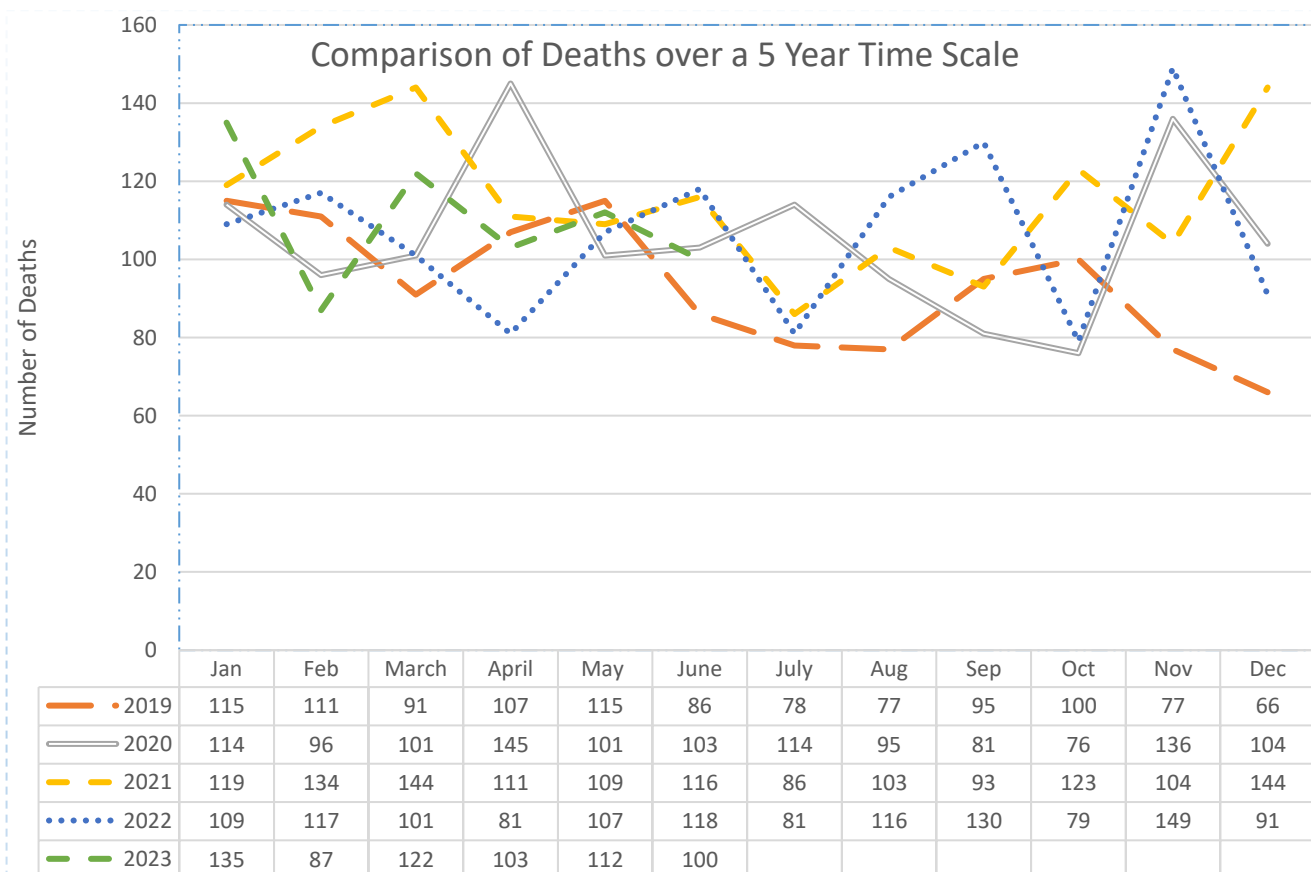


against when the team receive all the necessary documentation. Where the relevant information is provided, death in service grants are paid within 5 days to the next of kin. However, the fund is seeing a more complicated picture in members lives and the intricacies of families which requires the Pension Fund to take more time in assessing the payment of some death grants.

39. Following several appeals to the Ombudsman across the LGPS relating to the release of death grants to the next of kin, the Fund now reviews each individual death grant payable, and where required seeks additional information prior to release of death grant benefits.

40. The following graph shows the number of deaths processed each year. These statistics include death in retirement, death in deferment, death in service and death of preserved refunds.

41. From January 2020 to June 2023 the average monthly deaths are 103 per month, Pre-Pandemic the average death rate per month was approximately ninety-one deaths. However, the statistics, show that the Nottinghamshire Pension Fund continues to follow the national trends.



|                                       | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---------------------------------------|------|------|------|------|------|------|
| <b>Average no of Deaths Per Month</b> | 89   | 93   | 105  | 115  | 103  | 109  |

## **Other Options Considered**

42. Work on developing the Service Level Agreement will continue, to ensure they provide a full range of benchmarking data for the coming fiscal year. This work will be done in conjunction with a national set of benchmarks across all LGPS schemes.

## **Reason/s for Recommendation/s**

43. This report has been compiled to inform the Nottinghamshire Pension Board of the activities being undertaken by the administration team to improve the performance of employers, and the administration of the fund.

## **Statutory and Policy Implications**

44. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## **Financial Implications**

45. The administration of the Nottinghamshire Pension Fund is being delivered within existing resources at a cost of £2.7m including all costs and external fees.

## **RECOMMENDATION**

It is recommended:

1. That the Nottinghamshire Pension Board notes the performance of the administration of the pension fund, and the continued development of systems and processes that will improve the service to members of the fund.

**Marjorie Toward**

**Service Director – Customers, Governance, and Employees**

**For any enquiries about this report, please contact:**

Jonathan Clewes, Pension Manager on 01159773434 or jon.clewes@nottsc.gov.uk

**Constitutional Comments (KK16/11/2023)**

46. The proposal in this report is within the remit of the Nottinghamshire Pension Board Committee.

**Financial Comments (KP16/11/2023 )**

47. The cost of pension's administration is a valid charge to the pension fund and as set out in the report the costs are £2.7m at 2022-23 including all costs and external fees.

### **Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- 'None'



**30 November 2023****Agenda Item:7****REPORT OF SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE, AND  
EMPLOYEES.****LOCAL GOVERNMENT PENSION SCHEME – GUARANTEED MINIMUM  
PENSION RECTIFICATION – UPDATE REPORT****Purpose of the Report**

1. The purpose of the report is to update Pension Board on the progress of the Guaranteed Minimum Pension (GMP) rectification exercise following the completion of the reconciliation exercise undertaken with HM Revenue and Customs (HMRC).
2. The report Updates the Board on the decision by Pension Committee not to seek to recover any past overpayments of pension made to members of the Nottinghamshire Pension Scheme which have been identified through the HMRC guaranteed minimum pension reconciliation exercise.

**Information  
Background**

3. The GMP reconciliation exercise was a national requirement initiated by HMRC which impacted all Public and Private Sector Pension Funds who were contracted out of additional state pension.
4. Up until April 2016 contributing members of the Local Government Pension Scheme (LGPS) paid lower rate National Insurance contributions as they were “contracted out” of the Additional State Pension which has previously been known as S2P, the state second pension or the State Earnings-Related Pension (SERPS). LGPS employers also paid reduced rate National Insurance contributions in respect of their employees who were in the LGPS. Contracting out ended from 6 April 2016 as part of the Government’s introduction of a single-tier basic state pension.
5. Between 1978 and 1997 contracting out of the Additional State Pension was undertaken on a Guaranteed Minimum Pension (GMP) basis. This required contracted out pension schemes to offer pension benefits for the period of contracting out that were worth at least as much as the benefits the additional state pension would have provided. Contracted out pension schemes had to record the relevant contracted out earnings for that period and supply HMRC with details

of these. HMRC retained a record of contracted out earnings and GMP entitlement for each individual and then advised pension schemes of GMP entitlements when the individuals reach state pension age.

6. Since October 2017, the Pension Fund has been engaged in the reconciliation exercise with support from Civica the Pension Fund software provider. The purpose of the exercise was to compare the GMP liabilities held by the Fund with the data held by HMRC. It required the investigation of discrepancies between the two sets of data to come to an agreed record, reconciled with HMRC records.
7. It was identified as important to reconcile the GMP element recorded on the pension fund administration system with that held by HMRC to ensure that pensions coming into payment, together with those already in payment, are paid at the correct amount, and that the liabilities of the pension scheme, so far as GMP values are concerned, are represented accurately at each future pension valuation.
8. The final HMRC scan data was delayed several times and was eventually received in July 2020. Following receipt of the scan the final rematching was undertaken by the Pension Fund in September 2020.
9. As a result of this exercise, certain members have been identified as having been underpaid and others having been overpaid pension nationally and within the Nottinghamshire Local Government Pension Scheme ("the Fund").

### **The Rectification Process**

10. Schemes have a duty to pay the right benefits to the right members at the right time. Accurate records are a fundamental requirement for fulfilling this duty. An inaccurate GMP on a member's record will result in the member receiving the wrong benefits from the scheme.
11. The Pensions Regulator regards good record-keeping as a fundamental part of good scheme governance, falling within the statutory duty to establish and operate adequate internal controls.
12. Inaccuracies in scheme data (for example, GMP amounts) could lead to over or understatement of scheme liabilities. Based on the initial run of members requiring rectification it is estimated that the current total overpayment liabilities of £5.9M will need to be written off by the fund.
13. To progress the GMP work, the programme was split into several parts. Part 1 of the programme (Reconciliation) has been completed and the Fund is now able to progress with parts 2-4 (Rectification).

|   | Stages of Activities   | Activity Description   | Project Status | Project Dates   |
|---|--|--|----------------|---|
| Reconciliation  |  |  |                |   |
| Part 1 – identification and confirmation of liabilities with HMRC | <b>Discovery Phase</b><br>Stage 1  | Initial comparison of fund data with HMRC file and an early indication of the potential size of the reconciliation issues<br>In Depth Analysis of results from Stage 1   | Complete       | October 2017  |
|   | Stage 2  |  |                | -<br>January 2018   |
|   | <b>Delivery Phase</b><br>Stage 3<br>Stage 4<br><br>Stage 5<br>Stage 6<br><br>Stage 7 | Queries issued to HMRC<br>HMRC query returns analysed and distributed into specific categories<br>Individual investigation<br>In-depth analysis and bulk resolution<br>Further individual investigation  | Complete       | May 2018<br>-<br>November 2018                              |
|   | <b>Completion Phase</b><br>Stage 8<br><br>Stage 9                                    | Case Conclusion-Receipt of final file from HMRC<br>Concluded cases uploaded into the pensions administration system  | Complete       | July 2020 (File received)<br>-<br>September 2020 conclusion |
|   | Rectification  |  |                |   |
| Part 2  | <b>Calculation and Communication Phase</b><br>– Over payments<br>– Under payments    | System and individual calculation to be undertaken using reconciled GMP liability amounts to determine overpayments and underpayments<br><br>A communication strategy will need to be developed to ensure that communication is clear to individual pensioners affected by the reconciliation exercise, and where a pension in payment needs to be adjusted, to enable them to understand the potential impact of any adjustment |                | July 2023 – Onwards   |

|        |  |   |  |                           |
|--------|--|---|--|---------------------------|
|        |  |   |  |                           |
| Part 3 | <b>Rectification and Communication</b> | Pensioner payroll records to be adjusted to reflect correct payments determined in the Calculation Phase, and communicated to members |  | July 2023<br>-<br>Onwards |

#### Under Payment Cases

14. Regarding underpayment cases, the Fund's intention is to write to all pensioners and dependants who have suffered an underpayment setting out the correct pension they should now be in receipt of and confirming the historic underpayment.
15. The Fund expects to correct the pension in payment and make payment of the historic payments owed as soon as possible. In line with LGPS regulations interest will be paid on all underpaid amounts. Based on the reconciliation analysis the average total underpayment is £1681.17 over a 42-year period which calculates to an average £140 per Year under payment. To provide some context 66 records of the 154 records are less than a 50pence adjustment per month.

#### Over Payment Cases

16. With regards to overpayment cases, the pension in payment must be adjusted to the correct value going forward as the Fund cannot knowingly make incorrect payments to any scheme member. Each member will be contacted in writing and where necessary advising members in accordance with the LGPS regulations with no less than 1 months' notice (*The disclosure regulations for pension schemes require that pensioners be notified in advance of the change to their pension taking effect if possible and in any event within one month*). It is therefore the intention to provide pensioner with 2 months' notice of the pending change in their monthly payment in accordance with the approach taken by other LGPS Funds and considering the unique circumstances and what is deemed reasonable.
17. The average overpayment is £3,895 over 42-year period with the annual overpayment being £407.75 per Year (although the maximum total historic overpayment identified is just over £31,000 over a 42-year period which is a monthly difference of £219 and an annual difference of £2,632. To provide some context in the relating to the overpayments 228 records are £10 or less per month.

#### Total Cases

18. The final reconciliation has highlighted 766 pensioner records in payment which need to be rectified this is 1.72% out of a total of 44353 pensioner records.



## Reasons for Recommendations

19. In coming to the recommendation, The Fund has taken legal advice on the GMP rectification stage, as well as having regard to a guidance note issued by the Local Government Association (LGA) in 2017 which addressed the recovery of overpayment of pension in these circumstances. It is recommended that, in line with this guidance, the Fund does not seek to recover the overpayments for the following reasons:

20.

- a. Given the complexities around GMP rules, it would be unfair to assume that the affected member could have had knowledge or understanding at an earlier time that this resulted in their pension being overpaid.
- b. Most people affected are likely to be elderly and vulnerable and already facing rising inflation and costs of living. These factors could impact the Fund's ability to recover some or all the overpayment and lead to additional unrecoverable costs in taking any recovery actions.
- c. Consideration has been given to the recovery of the overpayments however in line with other LGPS schemes it has been determined that it will not be cost effective in many cases to pursue the overpayments as debts, given the volume of cases, the costs of legal action and the low value per claim.
- d. It can be argued that the Fund could have discovered the overpayments itself at an earlier point in time which could render some claims time barred under limitation rules.
- e. This is the approach that has been taken by the majority of LGPS and public sector funds in the same situation.

21. The Pension Committee Resolved to:

- Notes the requirement to adjust of any underpayments of Pensions and confirms that following verification of final adjustment calculations and communication process these should be paid to members and interest paid in line with LGPS Regulations.
- Agrees that there should be no recovery of any past overpayments of pension made to members of the Nottinghamshire Local Government Pension Scheme which have been identified through the HMRC minimum pension reconciliation exercise for the reasons set out in this report.
- That the write-off of any individual overpayments in accordance with this decision be undertaken by the Section 151 Officer in line with the delegation in the Council's Financial Regulations
- That members should be given a minimum 2 months written notice before any reduction identified by this exercise is applied to members' pensions.

## Statutory and Policy Implications

22. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability, and the environment

and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## **Data Protection and Information Governance**

23. The project, by its very nature, involves reconciliation, sharing and processing of personal and sensitive data. This is covered by existing arrangements and agreements with Civica, the software provider. However, a data impact assessment has been completed for the project overall to reflect the aspects of the data sharing, and updating of data, along with ensuring the mitigation of risks arising from the project activity itself.

## **Financial Implications**

24. The Fund has reviewed 2,164 cases and identified 766 cases that require rectification. This is where the data from HMRC and what was held on the pension record did not match with HMRC and it has been identified that the members benefits need to be adjusted. Calculations up to 31 March 2023 have been undertaken with the following results:

### **Estimated total cost to the Pension Fund (as of 31 March 2023)**

- Overpayments £5,900,000
- Underpayments £654,000

All costs are payable from the Nottinghamshire Pension Fund.

## **Caveats:**

- All figures quoted in the report are based on analysis to date and will vary up to the date of the implementation of the reconciliation on individual records.
- Results could therefore be over/ underestimated as full calculations need to be completed and checked at the time of rectification, therefore actual individual results and liabilities will be closely monitored and checked and reported on each month as the calculations are verified.

## **RECOMMENDATIONS**

It is recommended that the Pension Board:

1. That the Pension Board note the update on the GMP reconciliation project and the proposals on the rectification of the pension records as outlined in the report.

**Marjorie Toward**

**Service Director – Customers, Governance and Employees**

**For any enquiries about this report please contact:**

Jonathan Clewes, Pension Manager on 0115 9773434 or [Jon.Clewes@nottsc.gov.uk](mailto:Jon.Clewes@nottsc.gov.uk)

**Constitutional Comments (KK16/11/2023)**

25. The proposals in this report are within the remit of the Nottinghamshire Pension Board.

**Financial Comments (KP16/11/2023)**

26. As set out in the report the GMP reconciliation has identified adjustments to pension payments that must be made. The impact of correcting previous underpayments will mean additional costs to the fund; however, this will be more than offset by the reductions because of correcting previous overpayments. Estimates of the cost to the fund are set out in the financial implications section of the report.

**Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- 08 March 2018 Pension Committee Report GMP Reconciliation Exercise with HMRC
- 18 July 2019 Pension Committee Report GMP Reconciliation Exercise with HMRC – Update Report.
- 10 September 2020 Pension Committee GMP Pension reconciliation exercise with HMRC – Update Report
- 02 February 2022 GMP Rectification – Update Report

**Electoral Division(s) and Member(s) Affected**

- All



**30 November 2023****Agenda Item:8****REPORT OF SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE, AND  
EMPLOYEES.****LOCAL GOVERNMENT PENSION SCHEME – UPDATE ON THE PROGRESS  
ON THE IMPACT OF THE MCCLOUD JUDGEMENT ON THE  
ADMINISTRATION OF THE PENSION FUND****Purpose of the Report**

1. The purpose of the report is to update Pension Board on the progress of the Pension Fund McCloud Project.

**Information  
Background**

2. The McCloud judgement came about when the Government reformed public service pension schemes in 2014 and 2015. At the time transitional protections were introduced for older members of the LGPS Pension scheme. In December 2018, the Court of Appeal ruled that younger members of the Judicial and Firefighters' pension schemes had been unlawfully discriminated against because the protections did not apply to them.
3. The ruling is called the McCloud judgement, after a member of the judicial pension scheme involved in the case.

**Impact on Members Benefits**

4. In 2014, the LGPS changed from final salary scheme to a career average scheme where a pension builds up based on what you earn each year.
5. Older pension fund members who are closer to retirement are protected from these changes. This means that a pension fund member who qualifies for protection are not impacted by the changes. This means that when a protected member takes their pension, the benefits payable under the career average scheme are compared with benefits have been built up. Therefore, had the final salary scheme continued they receive the higher amount. This protection is called the underpin.

6. The new legislation removes the McCloud age discrimination, and therefore qualifying younger members will now receive the underpin protection as well. This change came into the regulation on 1 October 2023. Underpin protection only applies to pension built up in the remedy period, between 1 April 2014 and 31 March 2022. The underpin will have stopped earlier if a member left the scheme or reached their final salary normal retirement age before 31 March 2022.
7. Analysis nationally has identified that the change in regulations will mean that on average the members of the LGPS will see a slight improvement in their pensions as a result. However, this is not evenly spread, and the reality is that the average consists of members seeing no change at all to their benefits, whilst other members will see material improvements in their retirement income.
8. It has also been estimated that younger members of the pension scheme with high pay growth could see up to an estimated 10% increase on their 8 years accrual from 2014 to 2022, when compared to what they could have expected from the current career average scheme.

### **What the Fund has done to Prepare for McCloud**

9. As The Board is aware the Pension Fund appointed a temporary Project Manager and Data analyst to undertake the preparatory work of collecting and checking data from all 290 + scheme employers to enable the evaluation of the impact of the changes on benefits for an estimated 29K members.
10. From December 2021 the Pension Fund has been preparing for the implementation of the new legislation by working with the scheme employers in collecting data.
11. The project team offered all scheme employers the opportunity to meet with the project team where a full explanation was given on the requirement of scheme employers to check and provide up dated information on their scheme members. Extensive documentation was also provided which explained methodology and requirements.
12. To help with the collection and checking of data the Fund provided all scheme employers of data relating to scheme members who were potentially impacted by the McCloud judgement. This was significantly different methodology than other LGPS funds have used, but this has significantly helped scheme employers provide more accurate data., Scheme employers were given a deadline to respond.
13. Most scheme employers have returned their data to the project team. However there have been some scheme employers who have taken time to engage in the pension fund exercise which has required the project team to chase the data. However the Fund due to the work of the project team is in a position where it has data from all scheme employers that can be used as part of the McCloud project.

14. Where the fund has received the data a checking process is being undertaken prior to the fund loading the cleansed data back into the Pension Administration System in order that the Fund can apply the new regulations to scheme members.
15. The validation of the data is taking longer than expected as the team identify issues in the data that require further checks to be made with scheme employers or adjustments to the funds own data record. One of the reasons for this is that scheme employers have not completed their work to the required standard. Resource availability has also been a factor in the validating of data.
16. One of the difficulties that we have encountered issues is where members who are “unprocessed leavers” in UPM, are causing a disparity in the data, again this leads to more layers of analysis checking for project team. Along with other complex admin processes that impact the data analysis process.
17. Other difficulties have been the constant delays and lack of clarity from the government around the actual remedy culminating in a very short timescale from the end of consultation to an implementation date of 1 October 2023.

## **The New Regulations**

18. The Department for Levelling Up, Housing and Communities (DLUHC) announced the outcome of the consultation on supplementary McCloud issues and draft regulations on 8 September 2023. It also laid the Local Government Pension Scheme (Amendment) (No. 3) Regulations 2023 which took effect from 1 October 2023.
19. The regulations implement the McCloud remedy and amend the underpin rules to ensure they work correctly across the scheme. Part 2 of the regulations replaces the underpin rules in the LGPS (transitional Provisions, Savings and Amendment) Regulations 2014. Part 3 requires administering authorities to check past calculations for events that happened between 1 April 2014 and 30 September 2023.
20. These regulations require the Administering Authority to consider a range of McCloud-affected cases to include McCloud calculations on members retiring currently where they meet the criteria for McCloud. Along with deciding for those members who also meet the McCloud criteria who have retired and therefore need their benefit recalculating.
21. To ensure a consistent approach a national implementation group has been set up to decide what other statutory guidance is needed across the LGPS.
22. To help with implementation DLUHC have issued an initial prioritization policy this is attached in appendix 1 and outlines the expectations on the implementation of the McCloud changes. Further advice is expected from DLUHC on implementation.
23. As part of the implementation certain transfers for members with underpin protection are on hold until actuarial guidance for transfers is updated for the McCloud remedy however DLUHC

have also issued guidance on the approach funds must take regarding interfund transfers for members with underpin protection.

24. Further support has been provided by the LGA pensions Team in organizing communications for scheme members including fact sheet, and guidance along with some advice videos to help members understand if McCloud impacts them. Communications and advice factsheets. Please see appendix 2 which summarizes the McCloud judgement for scheme members.

## **Implementation of the McCloud Judgement**

25. Currently as part of our implementation plan of the new regulations the fund is currently still checking data as previously explained above, this will then be loaded into the Pension Administration System once we are satisfied with the data.
26. With the change in the regulations, new software has had to be developed by the Pension Fund Software provider, this has been ongoing for a significant period, since the start of the McCloud national project, which has been hindered by the late agreement of the new regulations.
27. As part of the funds implementation strategy the Fund loaded new software on 24 October which now requires testing to ensure the calculation will operate in our admin system. There have been issues identified in the software across all LGPS Civica users, and these are being addressed. Therefore, the Fund is expecting further software updates at the beginning of December this will include rectification of software issues along with additional calculations relating to the new regulations.
28. It is not expected that the Administration system will be ready to use for calculating McCloud benefits until the middle of January.
29. The LGPS nationally is awaiting further written guidance on the implementation of the regulations. However, a public service pension remedy letter has been issued by HMRC. The newsletter introduces the calculate your public service pension adjustment service. This is for members who need to correct their tax position because of the McCloud remedy. The service will help members to:
- a. Work out any repayments that are due for a lifetime allowance or annual allowance charge they have previously paid.
  - b. Work out new, reduced, or extra lifetime allowance or annual allowance charges they may have to pay.
  - c. Submit information to HMRC to review.

The newsletter also provides some interactive guidance.

30. In addition to the HMRC information the LGA have created new areas in the LGPS member website dedicated to the McCloud remedy [The McCloud Remedy :: LGPS \(lgpsmember.org\)](https://www.lgpsmember.org) the new pages include:
- a. A short video



- b. Frequently asked questions
  - c. An interactive tool to help members identify if they are affected.
  - d. Examples of types of cases
  - e. And detailed information about the remedy
31. The pension fund has updated the Nottinghamshire Pension Fund website to enable members to access information on the McCloud remedy. The fund is also amending and updating correspondence ahead of the funds ability to undertake the required calculations for members benefits. However, this is a changing landscape as the funds are updated with guidance nationally.

## **Conclusion**

32. The McCloud remedy project is wide-ranging, and this report covers what the Pension Fund is principally concerned with, which is the payment of benefits relating to the McCloud remedy. There are important parts of the project which continue to be required to be progressed in parallel with the progress of the payment of benefits. This includes, but is not limited to, the following:
- a. Collection and verification of additional data required to undertake the McCloud remedy calculations.
  - b. Checks to verify which members are in scope of the McCloud remedy from previous pensionable service which hasn't been transferred in or aggregated to the fund. To help DLUHC intends to discuss the steps administering authorities should be taking to identify such members with the guidance working group.
  - c. Any tax impacts of the McCloud remedy, including recalculations of past annual allowance calculations.
  - d. Recalculation of inward Public Sector Transfer Club transfers to reflect the McCloud remedy.
  - e. Divorce estimates and implementation of pension sharing orders for eligible members.
33. The Pension Fund has an overall plan for delivering the McCloud remedy that considers the above aspects of the project, and will be working with our software provider, to ensure that the Fund can meet. The prioritisation approach outlined out lined by DULHC.
34. However, the implementation of the McCloud remedy cannot be completed until further national guidance is provided as this is a complex and challenging project for the Pension Fund.

## **Other Options Considered.**

35. There a no other options as the fund is required under legislation to implement the McCloud Judgement.

## **Reasons for Recommendations**

36. This is a significant project for the LGPS Nationally and for the Pension Fund and has an impact on the pension fund in terms of time and resources.

## **Statutory and Policy Implications**

37. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability, and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## **Data Protection and Information Governance**

38. The project, by its very nature, involves reconciliation, sharing and processing of personal and sensitive data. This is covered by existing arrangements and agreements with scheme employers and scheme members.

## **Financial Implications**

39. The Financial implications of the impact of McCloud across the Pension Fund have been considered as part of the 2022 pension fund valuation.

## **RECOMMENDATIONS**

It is recommended that the Board:

- 1) Recognise this report as an update on the implementation of the McCloud judgement and updates the Board on the progress so far and the implications to the fund.

**Marjorie Toward**

**Service Director – Customers, Governance and Employees**

**For any enquiries about this report please contact:**

Jonathan Clewes, Pension Manager on 0115 9773434 or [Jon.Clewes@nottscc.gov.uk](mailto:Jon.Clewes@nottscc.gov.uk)

## **Constitutional Comments (KK16/11/2023)**

40. The proposals in this report are within the remit of the Nottinghamshire Pension Board.

## **Financial Comments (KP16/11/2023)**

41. The financial implications are set out in the report.

## **Background Papers and Published Documents**

The Local Government Regulations

[The Local Government Pension Scheme \(Amendment\) \(No. 3\) Regulations 2023 \(legislation.gov.uk\)](https://legislation.gov.uk)

H M R C has published the remedy newsletter

[Public service pensions remedy newsletter — October 2023 - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

LGPS Member Website:

[The McCloud Remedy: LGPS \(lgpsmember.org\)](https://lgpsmember.org)

**Electoral Division(s) and Member(s) Affected**

- All





## Department for Levelling Up, Housing & Communities

### LGPS England and Wales McCloud prioritisation – initial policy

One of the issues raised in responses to the Department's consultations on the McCloud remedy in the LGPS was how cases affected by the McCloud remedy should be prioritised. As a wide variety of cases will need to be dealt with, some respondents requested certainty on the order in which they should be approached.

The Government agrees that this is an important issue and this note summarises the Government's current views on how cases affected by the McCloud remedy should generally be prioritised. The content of this note will be considered further in discussions about statutory guidance relating to the McCloud remedy and we intend to issue updated text on prioritisation in any such statutory guidance that we publish.

This note should be read alongside the Local Government Pension Scheme (Amendment) (No. 3) Regulations 2023 (SI 2023/972, 'the 2023 Regulations') and the amended Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (SI 2014/525, 'the 2014 Regulations'). Terms used in this note have the meaning used in the 2014 and 2023 Regulations.

|         |   |
|---------|---|
| Group 1 | <p><b>New final underpin dates and deaths</b></p> <p>When an eligible member retires, they can rightly expect that the pension they will receive is accurate and complete. Efforts should be taken to ensure that when an eligible member retires on or after 1<sup>st</sup> October 2023, or otherwise has their final underpin date under regulation 4H of the 2014 Regulations, that the pension calculations undertaken by their administrator take into account their underpin rights, where applicable, straight away.</p> <p>The following situations should also be regarded as part of group 1:</p> <ul style="list-style-type: none"><li>• Deaths on or after 1 October 2023 of eligible members.</li><li>• Trivial commutations calculated on or after 1<sup>st</sup> October 2023, where the final underpin date or date of member's death was before that date.</li><li>• Uplifts of Tier 3 benefits to Tier 2, where the final underpin date for the Tier 3 pension was before 1<sup>st</sup> October 2023 but the uplift decision was on or after then.</li><li>• Transfers out paid on or after 1<sup>st</sup> October 2023 where the guarantee date (or for cash transfer sums, the date of leaving) was before 1<sup>st</sup> October 2023.</li></ul> <p>Prioritising these cases will prevent the need for administrators to revisit these cases subsequently and potentially have to make retrospective amendments to calculated rights.</p> <p>We recognise that, on occasion, there may be circumstances in the period after the remedy comes into force which mean it will not be possible to fully take into account the 2023 Regulations straight away (for example, if the necessary data is unavailable from the employer). In such cases, administrators should clearly communicate that to</p> |
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|         | <p>affected members at the time, and seek to rectify the situation as soon as they can afterwards.</p>  |
| Group 2 | <p><b>Cases falling under Part 3 of the 2023 Regulations</b></p> <p>The LGPS McCloud remedy has retrospective effect to 1<sup>st</sup> April 2014 and, for many eligible members, the underpin date or the final underpin date set out in the 2014 Regulations (as amended by the 2023 Regulations) will have already occurred. Part 3 of the 2023 Regulations sets out how the remedy should apply retrospectively for these eligible members, as well as in respect of eligible members who died before 1<sup>st</sup> October 2023.</p> <p>For these cases, administrators will need to review eligible members' entitlements and, where necessary, make additions to pensions or other benefits, including any applicable arrears.</p> <p>Within this group, cases should be considered in the following order:</p> <p>a) <u>Cases where a member or survivor pension is in payment</u></p> <ul style="list-style-type: none"> <li>• These are cases where a member or survivor pension is currently being paid which includes membership in the underpin period. The fact that a pension is in payment means that a final underpin date under regulation 4H of the 2014 regulations has already taken place for the eligible member before 1st October 2023, or that the member has died before that date.</li> <li>• In these cases, the pension a member or survivor receives each month may not be accurate and it is important that administrators consider these cases promptly to ensure that the correct pension is paid as soon as possible in the future, including the payment of any arrears where applicable.</li> <li>• These cases fall under regulations 5 and 8 of Part 3 of the 2023 Regulations.</li> </ul> <p>b) <u>Cases where payments have been made in the past but there is no ongoing liability</u></p> <ul style="list-style-type: none"> <li>• These are cases where a member has had their final underpin date under regulation 4H before 1<sup>st</sup> October 2023, or has died, but the liability for the pension rights has otherwise been fully discharged by the administering authority. Cases in this group include: <ul style="list-style-type: none"> <li>○ Members and survivor pensions where a pension was in payment, but this is now no longer payable.</li> <li>○ Cases where the liability was initially discharged through one of the following one-off payments: <ul style="list-style-type: none"> <li>▪ A transfer out</li> <li>▪ A trivial commutation or small pot payment</li> <li>▪ A death grant payment, where there is no related survivor pension</li> </ul> </li> </ul> </li> <li>• For the cases in this group, there will be no ongoing inaccurate payments, but it's possible past payments will have been inaccurate and administrators should make efforts to consider these cases promptly so that any underpayments can be rectified.</li> </ul> |

|         |   |
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|         | <ul style="list-style-type: none"> <li>These cases fall under regulations 5, 6, 7, 8, 10 and 11 of Part 3 of the 2023 Regulations.</li> </ul> <p>c) <u>Cases where a member's underpin date has taken place before or after 1<sup>st</sup> October 2023, but not their final underpin date</u></p> <ul style="list-style-type: none"> <li>These are cases where an eligible member has had their underpin date under regulation 4G of the 2014 Regulations – i.e. they leave active membership or reach their 2008 Scheme normal pension age (usually 65) - but they have not had their final underpin date.</li> <li>For the purposes of this note, this group includes both: <ul style="list-style-type: none"> <li>eligible members who had their underpin date before 1<sup>st</sup> October 2023, and</li> <li>eligible members who have their underpin date on or after 1<sup>st</sup> October 2023 but before the conclusion of the remedy project.</li> </ul> </li> <li>There will not have been any incorrect payments made for members in this group, but it will be possible for administrators to undertake the initial 'underpin date' calculation of benefits upon which final calculations will be based. These cases should be reviewed after the cases in groups 1, 2a and 2b.</li> <li>Cases where a member's underpin date was before 1<sup>st</sup> October 2023 fall under regulation 13 of Part 3 of the 2023 Regulations.</li> </ul> |
| Group 3 | <p><b>All other cases</b></p> <ul style="list-style-type: none"> <li>Eligible members who do not fall within groups 1 or 2 are those who are in scope of McCloud remedy, but who remain in active membership and have not yet had their underpin date.</li> <li>Members in this group will be of lower priority than members in group 1 and group 2. However, it is important that administrators take steps to update group 3 members' records as soon as it is possible to do so, and should have plans to achieve this in time for the first annual benefit statements including McCloud remedy details, expected to be 2024/25.</li> <li>If a member in group 3 becomes a member in group 1 (for example, they retire) or a member in group 2c (they have their underpin date), their case should be considered in line with our guidance on those groups.</li> </ul>   |

Within each group, administering authorities should consider using tools and analysis to help identify the members who are most likely to have an increased pension or benefit arising from our new underpin provisions, and who are therefore most in need of having their case reviewed promptly.

For all eligible members, remedy work should be concluded in time for the despatch of the first annual benefit statements that are required to include McCloud remedy details. This is expected to be the 2024/25 annual benefit statements and we intend to consult on this issue in early 2024.

#### General comments

We believe the approach outlined in this note is proportionate and reflects the relative urgency of different cases. The responsibility for administering the scheme lies with each administering authority and the administration of the McCloud remedy, which is complex and varied, should be approached flexibly. There may be circumstances where an authority feels it is right to deviate from the approach outlined above – for example, if it is more administratively efficient to take a different

approach and members in a higher priority group would not be materially disadvantaged by doing this. This may be the case if an authority is bulk processing cases, where a number of lower priority cases could be dealt with at one time, and where the same bulk processing could not be used for higher priority cases.

There may also be case specific factors which need to be considered – such as in respect of sensitive cases where special care should be given, for example, after a member's death. Overall, where an authority does take a different approach to that we have outlined here, they should consider this decision carefully, and review that decision at appropriate intervals.

The McCloud remedy project is wide-ranging and this note is principally concerned with the payment of benefits relating to the McCloud remedy. There are important parts of the project which will need to be progressed in parallel with the payment of benefits. This includes, but is not limited to, the following:

- Collection and verification of additional data required to undertake the McCloud remedy calculations.
- Checks to verify which members are in scope of the McCloud remedy from previous pensionable service which hasn't been transferred in or aggregated to that LGPS fund. DLUHC intends to discuss the steps administering authorities should be taking to identify such members with the guidance working group.
- Any tax impacts of the McCloud remedy, including recalculations of past annual allowance calculations.
- Recalculation of inward Public Sector Transfer Club transfers to reflect the McCloud remedy.
- Divorce estimates and implementation of pension sharing orders for eligible members.

We expect that administering authorities will have an overall plan for delivering the McCloud remedy that considers these aspects of the project, and will be working with partners, including software suppliers, to ensure that local plans can be met. In general, local plans should support the prioritisation approach outlined in this note. The Government is aware that updated actuarial guidance is necessary for elements of the remedy and is seeking to issue this as soon as possible





# The McCloud judgment and your LGPS pension

**This factsheet summarises the McCloud judgment and changes the Government is making to the Local Government Pension Scheme (LGPS) in England and Wales.**

## At a glance



The changes may affect you if:

- you were paying into the LGPS or another public service pension scheme before 1 April 2012
- you were also paying into the LGPS between 1 April 2014 and 31 March 2022
- you have been a member of a public service pension scheme without a continuous break of more than 5 years



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## What is the McCloud judgment?

When the Government reformed public service pension schemes in 2014 and 2015, transitional protections were introduced for older members. In December 2018, the Court of Appeal ruled that younger members of the judicial and firefighters' pension schemes had been unlawfully discriminated against because the protections did not apply to them.\*

This ruling is called the McCloud judgment, after a member of the Judicial Pension Scheme involved in the case. Because of the ruling, there will be changes to all public service pension schemes that provided transitional protection, including the LGPS.

The changes are called the McCloud remedy and are intended to remove the age discrimination found in the McCloud court case.

**The changes are called the McCloud remedy and are intended to remove the age discrimination found in the McCloud court case**



\* Lord Chancellor and another v McCloud and others  
Secretary of State for the Home Department and others v Sargeant and others [2018] EWCA Civ 2844



## How is the LGPS changing?

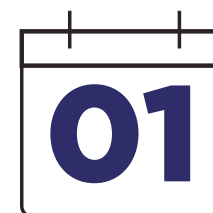
In 2014, the LGPS changed from a final salary scheme (a pension based on your pay when you leave) to a career average scheme (a pension which builds up based on what you earn each year).

Older members who were closer to retirement were protected from the changes. This means when a protected member takes their pension, the benefits payable under the career average scheme are compared with the benefits that would have been built up, had the final salary scheme continued and they receive the higher amount. This protection is called the underpin.

To remove the McCloud age discrimination, qualifying younger members will now receive the underpin protection too. This change will come into force on 1 October 2023. Underpin protection only applies to pension built up in the remedy period, between 1 April 2014 and 31 March 2022. The underpin will have stopped earlier if you left the scheme or reached your final salary normal retirement age (usually 65) before 31 March 2022.

From 1 April 2022, there is no underpin protection. Pension built up after this date is based on the career average scheme only.

**The LGPS McCloud  
remedy will come  
into force on  
1 October 2023**



**1 October  
2023**



## Am I affected?

You will qualify for underpin protection if:

- You were a member of the LGPS or another public service pension scheme before 1 April 2012,
- You were a member of the LGPS at any time between 1 April 2014 and 31 March 2022 and some or all of this membership was before your final salary normal retirement age (usually 65), and
- You do not have a disqualifying gap. A disqualifying gap is a continuous period of more than five years when you were not a member of a public service pension scheme.

If you have more than one period of LGPS membership, you do not have to join up or 'aggregate' these memberships to qualify for underpin protection.

If you have membership of another public service pension scheme before 1 April 2012, you will not have to transfer that membership to the LGPS to qualify for underpin protection.

**You may qualify for underpin protection if you were a member of the LGPS or another public service pension scheme before 1 April 2012 and were a member of the LGPS at any time between 1 April 2014 and 31 March 2022**



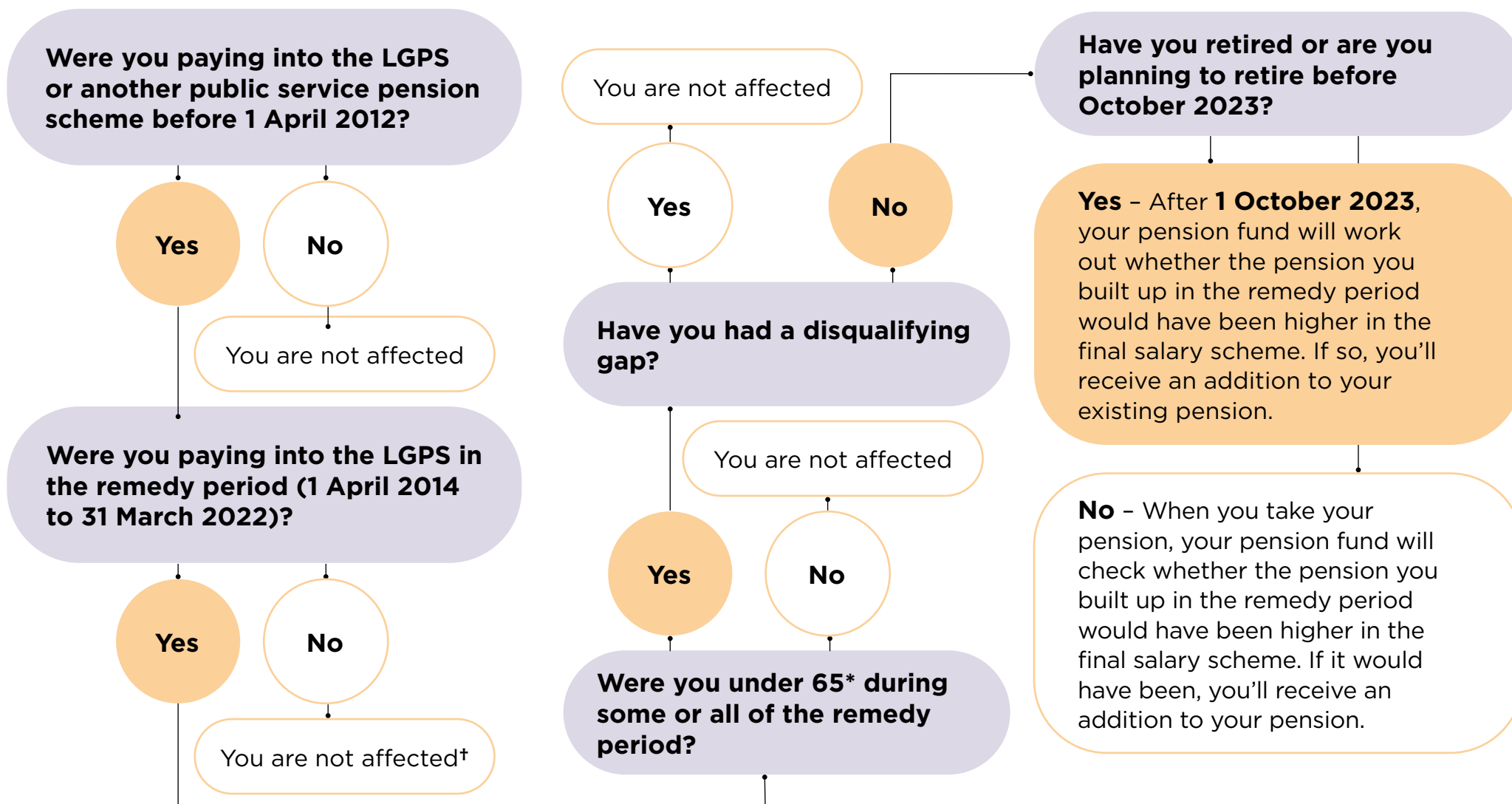


## Am I affected?

You will also be protected if you join the LGPS after 1 April 2022 and transfer in membership from another public service pension scheme if you:

- Qualify for McCloud protection in the previous public service pension scheme rules, and
- You do not have a disqualifying break.

You can use the tool on the next page to see if the changes could affect you.



\* Or under 60 if you had a protected normal retirement age in the final salary scheme of age 60.

† If you were a member of another public service pension scheme between 1 April 2015 and 31 March 2022, and you have transferred that membership to the LGPS, you will be protected.



## What do I need to do?

You do not need to do anything. If you qualify for underpin protection, your pension fund will work out if an addition is due to be paid to you when you take your pension. If you have already retired, your pension fund will work out if you are due an addition to your existing pension. They will do this as soon as they can after 1 October 2023.

## Will my pension increase?

This depends on the pension that you have built up when you take your pension. You don't need to do anything – your pension fund will work out whether you are due any additional pension.

Many members won't see an increase because the pension they build up in the career average scheme will be higher than what they would have built up in the final salary scheme.

**Your pension fund will work out if an addition is due to be paid to you when you take your pension**





## Do the changes affect me if I qualified for original underpin protection?

If you already qualified for protection under the original rules for protection, your pension fund will work out if you are due an addition to your existing pension. They will do this as soon as they can after 1 October 2023.

## How can I find out more?

This factsheet doesn't cover all circumstances or provide a detailed explanation of the McCloud remedy, which will be set out in legislation. For more information on how the McCloud remedy may affect you, contact your pension fund. Contact details for all LGPS funds are available here: [www.lgpsmember.org/contact-your-fund](http://www.lgpsmember.org/contact-your-fund)

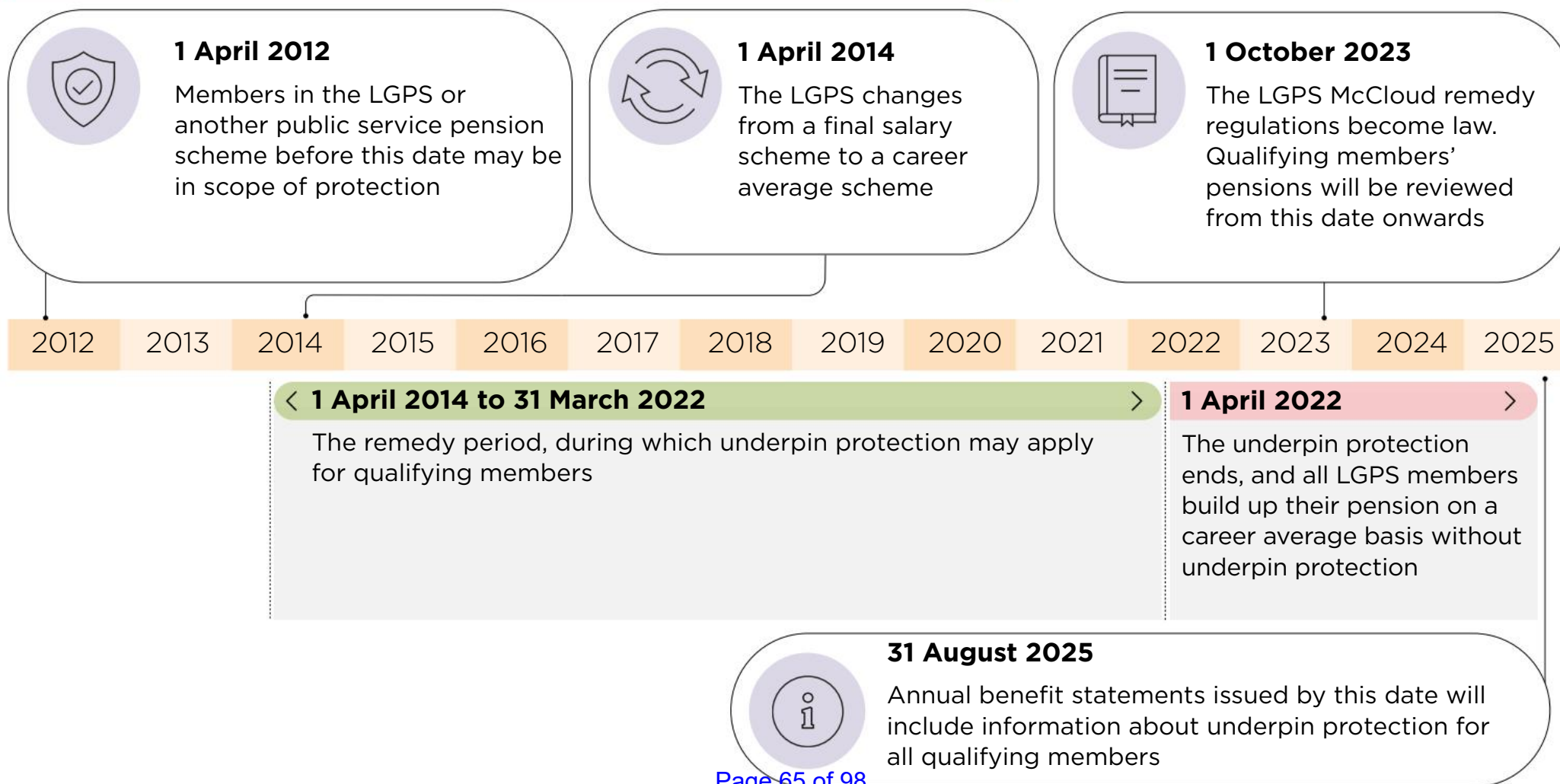
**For further information on how the McCloud remedy may affect you, please contact your pension fund**







## Key dates





**30 November 2023****Agenda Item:9****REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE &  
IMPROVEMENT****REVISION OF FUND STRATEGY DOCUMENTS****Purpose of the Report**

1. To advise Nottinghamshire Pension Board of the review of the Administration Strategy, Breaches Strategy, Climate Strategy, Communications Strategy and Plan, Funding Strategy Statement, Governance Compliance Statement, Investment Strategy Statement and the Risk Management Strategy and Risk Register documents.

**Information**

2. Under governing regulations, the Fund is required to 'prepare, maintain and publish' a number of strategy statements. These statements must then be kept under review and, if necessary, revised. Other strategies are produced by the Fund as best practice to confirm and clarify operations and to enable clear communication with employers and members in the scheme.
3. The Pension Fund Committee reviewed the strategies and other documents at its meeting on 27 April 2023. A summary of the documents and the outcome of the review is set out below. The report and associated appendices containing the updated strategies is available here

[Democratic Management System > Meetings \(nottinghamshire.gov.uk\)](https://www.nottinghamshire.gov.uk/DEMOCRATIC%20MANAGEMENT%20SYSTEM/Meetings)

4. The Administration Strategy is seen as one of the tools which can help in delivering a high quality administration service to the scheme member and other interested parties. This strategy has been reviewed and no significant changes were required.
5. The Breaches Strategy was created in 2020. This strategy has been reviewed and no significant changes were required.
6. The Climate Strategy was created in March 2021. The strategy has been updated in the current year to refresh the wording for consistency across the Central Pool and include the findings from the latest section of the IPCC report.
7. The Communication Strategy provides an overview of how the Fund will communicate with its customers (members and employers) and stakeholders. An effective communication strategy is vital for the Fund to meet its objective of providing a high quality and consistent service. This strategy has been reviewed and no significant changes were required

8. According to Regulation 58 of the Local Government Pension Scheme Regulations 2013, an administering authority must publish a Funding Strategy Statement (FSS). This requires 2 revision following the results of each triennial actuarial valuation. This statement is based on a version prepared by the Fund Actuary. The key changes relate to some wording changes for clarification, changes to make explicit some implicit responsibilities, updating for the results of the Triennial Valuation and an explicit section recognising the impact of Climate Risk on funding. As presented to Pension Fund Committee the strategy was subject to consultation with employers. This took place in May 2023 and there were no subsequent changes required.
9. The Local Government Pension Scheme (Administration) Regulations 2013 require publication of a governance compliance statement. This statement has been reviewed and updated to reflect the changes in the membership of the committee.
10. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the "Investment Regulations") govern the management of the pension fund and the investment of fund money. According to Regulation 7 of the Investment Regulations an administering authority must formulate an investment strategy which must be in accordance with guidance issued from time to time by the Secretary of State. It must publish a statement of its investment strategy and must review and if necessary revise its investment strategy at least every 3 years.
11. The main update relates to the changes to asset allocation and the wording of the Fund's Responsible Investment beliefs which were discussed at the January Working Party and approved at the March committee meeting. The Aims and Purpose of the Fund section has been amended to make it consistent with the Funding Strategy Statement and references to the most recent triennial valuation reflect the results of the March 2022 valuation. Paragraph 40 about illiquid investments has been reworded to improve clarity.
12. It is considered best practice for the Fund to have a Risk Management Strategy and Risk Register and to review these on a regular basis. The documents last went to Committee in 2021. No new risks have been added to the risk register, but the risk of resourcing issues has increased slightly reflecting recruitment challenges and key man risks, and the risk of failing to adhere to relevant legislation and guidance has also increased to reflect the increasing requirements of pension schemes. The inherent risk of managing cashflow will gradually increase as the Fund matures, and this has been recognised in the risk register, and the impact of inflation is recognised for its impact on liabilities and employers. The documents have been revised to reflect recent and planned work.

### **Other Options Considered**

13. It is a requirement that strategy statements are reviewed, so no other options were considered.

### **Reason/s for Recommendation/s**

14. The revised documents reflect the current governance of the Pension Fund and agreed amendments.

## **Statutory and Policy Implications**

15. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## **RECOMMENDATION**

- 1) That the Pension Board note the recent review of the Administration Strategy, Climate Strategy, Communications Strategy, Funding Strategy Statement, Governance Compliance Statement, Investment Strategy Statement and the Risk Management Strategy and Risk Register documents by the Nottinghamshire Pension Fund Committee.

**Nigel Stevenson**

**Service Director for Finance, Infrastructure & Improvement**

**For any enquiries about this report please contact: Keith Palframan**

### **Constitutional Comments (KK 16/11/2023)**

16. Nottinghamshire Pension Board is the appropriate body to consider the content of this report.

### **Financial Comments (KRP 15/11/2023)**

17. There are no direct financial implications arising from this report

## **Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- 'None'

### **Electoral Division(s) and Member(s) Affected**

- 'All'



**November 30 2023****Agenda Item:10****REPORT OF SERVICE DIRECTOR – CUSTOMER, GOVERNANCE AND  
EMPLOYEES.****PENSION FUND - RISK REGISTER****Purpose of the Report**

1. To present the current Nottinghamshire Pension Fund Risk Register to the Pensions Board.

**Introduction**

2. This is the Risk Management Strategy for the Nottinghamshire County Council Pension Fund. Risk Management is a key element in the Fund's overall framework of internal control and its approach to sound governance. However, it is not an end, but a means of minimising the costs and disruption to the Fund caused by undesirable or unexpected events. The aim is to eliminate or reduce the frequency of risk events occurring (where possible and practicable) and minimise the severity of the consequences if they do occur.
3. Risk can be defined as any event or action which could adversely affect the Fund's ability to achieve its purpose and objectives. Risk management is the process by which:
  - risks are systematically identified
  - the potential consequences are evaluated
  - the element of risk is reduced where reasonably practicable
  - actions are taken to control the likelihood of the risk arising and reducing the impact if it does

**Purpose and Objectives of the Fund**

4. The purpose of the Fund is to:
  - Pay pensions, lump sums and other benefits provided under the LGPS Regulations
  - Meet the costs associated in administering the Fund
  - Receive contributions, transfer values and investment income
  - Invest any Fund money not needed immediately to make payments.
5. The funding objectives are to:
  - Set levels of employer contribution that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund
  - Build up the required assets in such a way that employer contribution rates are kept as low and stable as possible.

6. The following principles underpin the Fund's investment activity:
- The Fund will aim to maintain sufficient assets to meet all its obligations on a continuing basis.
  - The Fund will be invested in a diversified range of assets.
  - Proper advice on the suitability of types of investment will be obtained and considered at reasonable intervals.
  - The Fund will aim to conduct its business and to use its influence in a long-term responsible way.

## **Key Parties of Fund**

7. The key parties involved in the Fund and their responsibilities are as follows

### **The Administering Authority**

8. The Administering Authority for the Pension Fund is Nottinghamshire County Council. Under the terms of the Council's constitution, the functions of the Council as administering authority are delegated to the Nottinghamshire Pension Fund Committee. The full governance arrangements of the Fund are detailed in the Fund's Governance Compliance Statement. The main responsibilities of the Administering Authority are to:
- Collect employee and employer contributions
  - Invest the Fund's assets
  - Pay the benefits due to scheme members
  - Manage the actuarial valuation process in conjunction with the Fund Actuary
  - Prepare and maintain the Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS) after consultation with other interested parties as appropriate
  - Monitor all aspects of the Fund's performance.

### **Committee members**

9. The members of the Committee are not trustees (as the LGPS is a statutory scheme) but do have fiduciary duties towards the scheme members and employers. The main responsibilities of the Committee are to:
- Determine the overall investment strategy, and what restrictions, if any, are to be placed on types and market locations of investments
  - Determine the type of investment management to be used and appoint and dismiss fund managers
  - Receive quarterly reports on performance from the main fund managers and question them regularly on their performance
  - Receive independent reports on the performance of fund managers on a regular basis
  - Be encouraged to receive suitable training to help them discharge their responsibilities and attend such training courses, conferences and meetings that deliver value for money to the Fund.

### **Pension Board**

10. The objective of the Local Pension Board is to ensure that the pension scheme is properly run. The board assists the County Council to secure compliance with pension legislation and ensures the effective and efficient governance and administration of the pension scheme.



11. The Board has eight member positions. Four members represent employers in the pension scheme, and four represent scheme members.
12. The pension board has responsibility for assisting the Nottinghamshire Pension Fund Committee and its sub committees:
  - a. To secure compliance with all legislation relating to governance and administration of the Local Government Pension Scheme in Nottinghamshire and the requirements imposed by the Pensions regulator and,
  - b. To ensure the effective and efficient governance and administration of the Local Government Pension Scheme in Nottinghamshire.
13. The pension Board has the authority to request information about any aspect of the County Council's function as Administering Authority of the Local Government Pension Scheme in Nottinghamshire, and any such requests to be complied with
14. The Pension Board has the Authority to make recommendations to the Admin Authority or the relevant committee, any such recommendation being considered, and a response made within reasonable period.
15. The Pension Board has the authority to escalate serious concerns (relating to potential fundamental breach of legislation or governance failure) to the relevant body.

### **Scheme Employers**

16. In addition to the Administering Authority, several other Scheme Employers, including Admission Bodies, participate in the Fund. The responsibilities of each Scheme Employer that participates in the Fund, including the Administering Authority, are to:
  - Collect employee contributions and pay these together with their own employer contributions as certified by the Fund Actuary to the Administering Authority within the statutory timescales
  - Notify the Administering Authority of any new Scheme members and any other membership changes promptly
  - Exercise any discretions permitted under the Regulations
  - Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures
  - Notify the Administering Authority of significant changes in the employer's structure or membership.

### **Fund Actuary**

17. The Fund Actuary for the Pension Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:
  - Advise interested parties on funding strategy and completion of actuarial valuations in accordance with the FSS and the Regulations
  - Advise on other actuarial matters affecting the financial position of the Fund.

### **Chief Finance Officer**

18. Under the Council's constitution, the Service Director Finance, Infrastructure & Improvement is designated the Council's Chief Finance Officer (also known as the Section 151 Officer). The

Group Manager (Financial Management) is the deputy Section 151 Officer. Financial Regulations specify that the Section 151 Officer is responsible for arranging the investment of the Pension Fund. Operational matters falling under this responsibility are exercised by the Senior Accountant (Pensions & Treasury Management).

19. Representatives of the Service Director Finance, Infrastructure & Improvement provide advice to the Committee on investment matters and attend meetings of the Nottinghamshire Pension Fund Committee as required.

### **Service Director Customers, Governance and Employees**

20. The Service Director Customers, Governance and Employees is responsible for the Pensions Administration function, operated by the Pensions Office within the Business Services Centre. This function covers:

- Pensions administration and employer's support
- Pensions administration systems
- Communications
- Technical/performance support

21. The Group Manager, Business Services Centre, and the Pension Manager, who are representatives of the Service Director Customers, Governance and Employees provide advice to the Committee on pension administration matters and attend meetings of the Nottinghamshire Pension Fund Committee as required.

### **Independent Adviser**

22. The Fund has an Independent Adviser who attends meetings of the Nottinghamshire Pension Fund Committee and Pensions Working Party as required.

23. The Independent Adviser is engaged to provide advice on:

- the objectives and policies of the fund
- investment strategy and asset allocation
- the fund's approach to responsible investment
- choice of benchmarks
- investment management methods and structures
- choice of managers and external specialists
- activity and performance of investment managers and the fund
- the risks involved with existing or proposed investments
- the fund's current property portfolio and any proposals for purchases, sales, improvement, or development
- new developments and opportunities in investment theory and practice

### **Risk Management Strategy**

24. The risk tolerance of the Fund is agreed with the Nottinghamshire Pension Fund Committee, the investment team and independent adviser through the setting of the investment beliefs, funding, and investment objectives. The Fund will only take sufficient risk to achieve its long-term funding objectives described in paragraph 4.

25. The Pension Fund's Risk Management Strategy is to:
- identify key risks to the achievement of the Fund's aims
  - assess the risks for likelihood and impact
  - identify mitigating controls
  - allocate responsibility for the mitigating controls
  - maintain a risk register detailing the risk features in a)-d) above
  - review and update the risk register on an annual basis
  - report the outcome of the review to the Nottinghamshire Pension Fund Committee.
26. The Risk Register is a key part of the Risk Management Strategy as it identifies the main risks to the operation of the Fund, prioritising the risks identified and detailing the actions required to further reduce the risks involved.
27. All staff involved in the Pension Fund and Members of the Nottinghamshire Pension Fund Committee need to have an appropriate level of understanding of risk and how risks affect the performance of the Fund. To consolidate the risk management process, the Nottinghamshire Pension Fund Committee have been asked to: -
- agree the Risk Management Strategy
  - approve the Risk Register and agreed actions
  - receive and approve the Annual Governance Statement, which will comment upon the Fund's risk management process.
28. By adopting this approach, the Pension Fund will be able to demonstrate a clear commitment, at a strategic level, to the effective management of Pension Fund risks. The Risk Management Strategy and Risk Register will be kept under review and will be revised following any material changes in policy.

### **Risk Register Review**

29. At the last pension board, it was reported that there is currently a review being undertaken of the risk register involving the County Councils Insurance providers Zurich. Once this review has been completed a new risk register will be developed and presented to the Pension Board and Pension Committee.
30. Pension Board and Pension Committee received a presentation from Zurich at a workshop which provided an explanation of the progress of the development of the risk register. A new Risk Register will be presented in 2024.
31. The risk register identifying the current risks and mitigation is attached as Appendix A.

### **Statutory and Policy Implications**

32. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (Public Health only), the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

### **RECOMMENDATION/S**

33. That The Nottinghamshire Local Pension Board members consider whether there are any actions they require in relation to the issues contained within the Risk Strategy report.

**Marjorie Toward**

**Service Director – Customers, Governance, and Employers**

**For any enquiries about this report please contact:**

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#### **Constitutional Comments (KK 16/11/2023)**

34. This is an updating information report and Pension Board is the correct body for considering that information and any further action which members may wish to take in light of that information.

#### **Financial Comments (KP16/11/20232023)**

35. There are no direct financial implications arising from the report.

#### **Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- 'None'

## Objectives

1. The objectives of the Risk Register are to:
  - identify key risks to the achievement of the Fund's objectives
  - assess the significance of the risks
  - consider existing controls to mitigate the risks identified
  - Identify additional action required.

## Risk Assessment

2. Identified risks are assessed separately and for each the following is determined:
  - the likelihood of the risk materialising
  - the severity of the impact/potential consequences if it does occur.
3. Each factor is evaluated on a sliding scale of 1 to 5 with 5 being the highest value i.e. highest likelihood/most severe impact/consequences. The risk evaluation tables below have been used in order to assess specific risks and to introduce a measure of consistency into the risk assessment process. The overall rating for each risk is calculated by multiplying the likelihood value against the impact value.

| <b>LIKELIHOOD:</b> |                |                  |
|--------------------|----------------|------------------|
| <b>1</b>           | Rare           | 0 to 5% chance   |
| <b>2</b>           | Unlikely       | 6 to 20% chance  |
| <b>3</b>           | Possible       | 21 to 50% chance |
| <b>4</b>           | Likely         | 51 to 80% chance |
| <b>5</b>           | Almost certain | 81%+ chance      |

| <b>IMPACT:</b> |               |                  |
|----------------|---------------|------------------|
| <b>1</b>       | Insignificant | 0 to 5% effect   |
| <b>2</b>       | Minor         | 6 to 20% effect  |
| <b>3</b>       | Moderate      | 21 to 50% effect |
| <b>4</b>       | Significant   | 51 to 80% effect |
| <b>5</b>       | Catastrophic  | 81%+ effect      |

4. Having scored each risk for likelihood and impact, the risk ratings can be plotted onto the following matrix to enable risks to be categorised into Low, Medium, High and Very High Risk.

|                 |               | Risk Rating Matrix  |      |          |          |        |                |
|-----------------|---------------|---------------------|------|----------|----------|--------|----------------|
| Relative Impact | Catastrophic  | (5)                 | M    | H        | VH       | VH     | VH             |
|                 | Significant   | (4)                 | M    | H        | VH       | VH     | VH             |
|                 | Moderate      | (3)                 | M    | M        | H        | H      | H              |
|                 | Minor         | (2)                 | L    | L        | M        | M      | M              |
|                 | Insignificant | (1)                 | L    | L        | L        | L      | L              |
|                 |               |                     | (1)  | (2)      | (3)      | (4)    | (5)            |
|                 |               |                     | Rare | Unlikely | Possible | Likely | Almost Certain |
|                 |               | Relative Likelihood |      |          |          |        |                |

5. This initial assessment gives the inherent risk level. Existing controls are then identified and each risk is re-assessed to determine if the controls are effective at reducing the risk rating. This gives the current (or residual) risk level. The current risk rating scores and categories are then used to prioritise the risks shown in the register in order to determine where additional action is required in accordance with the following order of priority:

**Red = Very High Priority**

Take urgent action to mitigate the risk.

**Orange = High Priority**

Take action to mitigate the risk.

**Yellow = Medium Priority**

Check current controls and consider if others are required.

**Green = Low Priority**

No immediate action other than to set a review date to re-consider your assessment.

## NOTTINGHAMSHIRE PENSION FUND RISK REGISTER - SUMMARY

Key to risk rating change since previous version of Risk Register:

↑ Increase

↓ Decrease

↔ No Change

★ New

| Risk Description   | Inherent Risk |           |        | Current Risk |        |        |
|--|---------------|-----------|--------|--------------|--------|--------|
|  |               | Rating    | Change |              | Rating | Change |
| <b>Risk Gov4</b> Inadequate resources are available to manage the pension fund.  | 20            | VERY HIGH | ↔      | 12           | HIGH   | ↔      |
| <b>Risk Adm1</b> Standing data & permanent records are not accurate.   | 16            | VERY HIGH | ↔      | 9            | HIGH   | ↔      |
| <b>Risk Inv3</b> Fund assets are assessed as insufficient to meet long term liabilities.   | 16            | VERY HIGH | ↔      | 9            | HIGH   | ↔      |
| <b>Risk Inv6</b> LGPS Central incurs net costs or decreases investment returns   | 12            | HIGH      | ↓      | 9            | HIGH   | ↓      |
| <b>Risk Adm2</b> Inadequate controls to safeguard pension fund records   | 15            | VERY HIGH | ↔      | 6            | MEDIUM | ↔      |
| <b>Risk Adm4</b> Scheme employers may fail to administer the scheme efficiently, leading to disruption to the discharge of administering authority functions (employer Risk)<br>Potential data quality issues.   | 15            | VERY HIGH | ↔      | 6            | MEDIUM | ↔      |
| <b>Risk Adm5</b> Serious breach of law regarding the management of data/information, including an unauthorised release requiring notification to ICO, leading to disruption to the discharge of administering authority functions (Administrative Risk). | 15            | VERY HIGH | ↔      | 6            | MEDIUM | ↔      |
| <b>Risk Inv4</b> Significant variations from assumptions used in the actuarial valuation   | 12            | HIGH      | ↔      | 9            | HIGH   | ↔      |
| <b>Risk Inv7</b> Financial risk of climate change  | 12            | HIGH      | ↔      | 8            | MEDIUM | ↔      |
| <b>Risk Inv1</b> Inappropriate investment strategy is adopted.   | 12            | VERY HIGH | ↔      | 6            | MEDIUM | ↔      |
| <b>Risk Inv5b</b> Custody arrangements   | 12            | VERY HIGH | ↔      | 6            | MEDIUM | ↔      |
| <b>Risk Gov5</b> Failure to adhere to relevant legislation and guidance.   | 12            | HIGH      | ↔      | 6            | MEDIUM | ↔      |
| <b>Risk Gov3</b> An effective performance management framework is not in place.  | 9             | HIGH      | ↔      | 6            | MEDIUM | ↔      |
| <b>Risk Gov1</b> Pension Fund governance arrangements are not effective  | 9             | HIGH      | ↔      | 6            | MEDIUM | ↔      |

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|  |   |        |   |   |        |   |
|--|---|--------|---|---|--------|---|
| <b>Risk Gov2</b> Pension Fund objectives are not defined and agreed.               | 9 | HIGH   | ↔ | 6 | MEDIUM | ↔ |
| <b>Risk Inv2</b> Fund cash is insufficient to meet its current obligations.        | 9 | HIGH   | ↔ | 6 | MEDIUM | ↔ |
| <b>Risk Inv5a</b> Fund manager mandates  | 9 | HIGH   | ↔ | 6 | MEDIUM | ↔ |
| <b>Risk Inv5d</b> Financial Administration   | 9 | HIGH   | ↔ | 6 | MEDIUM | ↔ |
| <b>Risk Adm3</b> Failure to communicate adequately with all relevant stakeholders. | 9 | HIGH   | ↔ | 6 | MEDIUM | ↔ |
| <b>Risk Inv5c</b> Accounting arrangements  | 6 | MEDIUM | ↔ | 4 | LOW    | ↔ |
| <b>Risk Inv5e</b> Stewardship  | 6 | MEDIUM | ↔ | 4 | LOW    | ↔ |



| <b>Governance</b>  |   |                |                     |                 |
|--|---|----------------|---------------------|-----------------|
| <b>Risk description: Gov1 - Pension Fund governance arrangements are not effective</b> |   |                |                     |                 |
|  | <b>Likelihood:</b>  | <b>Impact:</b> | <b>Risk Rating:</b> |                 |
| <b>Inherent Risk:</b>  | 3   | 3              | 9                   | <b>HIGH</b> ⇌   |
| <b>Current Risk:</b>   | 2   | 3              | 6                   | <b>MEDIUM</b> ⇌ |
| <b>Current Controls:</b>   | <ul style="list-style-type: none"> <li>• The Council's constitution clearly delegates the functions of administering authority of the pension fund to the Nottinghamshire Pension Fund Committee.</li> </ul>  |                |                     |                 |
|  | <ul style="list-style-type: none"> <li>• Under the LGPS Regulations the Administering Authority has established a Pension Board</li> </ul>  |                |                     |                 |
|  | <ul style="list-style-type: none"> <li>• The terms of reference of the Nottinghamshire Pension Fund Committee are agreed.</li> <li>• The terms of reference of the Nottinghamshire Pension Board are agreed.</li> </ul>   |                |                     |                 |
|  | <ul style="list-style-type: none"> <li>• The Fund publishes a Governance Compliance Statement which details the governance arrangements of the Fund and assesses compliance with best practice. This is kept regularly under review.</li> </ul>   |                |                     |                 |
|  | <ul style="list-style-type: none"> <li>• A training policy is in place which requires Members to receive continuing training and encourages all new Members to attend the Local Government Pension Scheme Fundamentals training course.</li> <li>• Nottinghamshire Pension Board Members are also required to undertake training</li> </ul> |                |                     |                 |
|  | <ul style="list-style-type: none"> <li>• Officers of the Council attend meetings of the Nottinghamshire Pension Fund Committee and the Nottinghamshire Pension Board.</li> </ul>  |                |                     |                 |
|  | <ul style="list-style-type: none"> <li>• The Fund has a formal contract for an independent adviser to give advice on investment matters. They are contracted to attend each Nottinghamshire Pension Fund Committee meeting.</li> </ul>  |                |                     |                 |
|  | <ul style="list-style-type: none"> <li>• The Administering Authority has a formal contract for an independent adviser to give advice on LGPS regulations to the Nottinghamshire Pension Board</li> </ul>  |                |                     |                 |
| <b>Action Required:</b>  | <ul style="list-style-type: none"> <li>• Continue to monitor via existing processes.</li> <li>• Confirmation of Pension Board meetings</li> <li>• Pension Board Vacancies to be filled</li> </ul>   |                |                     |                 |
| <b>Responsibility:</b>   | Group Manager (Financial Services)<br>Group Manager (BSC)<br>Group Manager (Legal Services)<br>Pension Manager<br>Senior Accountant - Pensions & TM   |                | <b>Timescale:</b>   | On-going        |

| Governance   |   |                |                     |          |
|--|---|----------------|---------------------|----------|
| <b>Risk description: Gov2 - Pension Fund objectives are not defined and agreed</b> |   |                |                     |          |
|  | <b>Likelihood:</b>  | <b>Impact:</b> | <b>Risk Rating:</b> |          |
| <b>Inherent Risk:</b>  | 3   | 3              | 9                   | HIGH ↔   |
| <b>Current Risk:</b>   | 2   | 3              | 6                   | MEDIUM ↔ |
| <b>Current Controls:</b>   | <ul style="list-style-type: none"> <li>Purpose and objectives are outlined in the Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS). Both documents are approved by the Nottinghamshire Pension Fund Committee and reviewed on a regular basis.</li> </ul> |                |                     |          |
| <b>Action Required:</b>  | <ul style="list-style-type: none"> <li>Continue to monitor via existing processes.</li> </ul>   |                |                     |          |
| <b>Responsibility:</b>   | Nottinghamshire Pension Fund Committee; Group Manager (Financial Services)  |                | <b>Timescale:</b>   | On-going |

| Governance   |   |                |                     |          |
|--|---|----------------|---------------------|----------|
| <b>Risk description: Gov3 - An effective performance management framework is not in place.</b> |   |                |                     |          |
|  | <b>Likelihood:</b>  | <b>Impact:</b> | <b>Risk Rating:</b> |          |
| <b>Inherent Risk:</b>  | 3   | 3              | 9                   | HIGH ↔   |
| <b>Current Risk:</b>   | 2   | 3              | 6                   | MEDIUM ↔ |
| <b>Current Controls:</b>   | <ul style="list-style-type: none"> <li>Investment performance is reported quarterly to the Nottinghamshire Pension Fund Committee. The Fund's main investment managers attend each quarter and officers receive regular updates from the Fund's other investment managers.</li> </ul> |                |                     |          |
|  | <ul style="list-style-type: none"> <li>Poor investment performance is considered by the Nottinghamshire Pension Fund Committee. The Nottinghamshire Pension Fund Committee's actions are monitored by the Nottinghamshire Pension Board</li> </ul>                                    |                |                     |          |
|  | <ul style="list-style-type: none"> <li>A Fund strategic benchmark has been implemented to improve monitoring of decisions regarding asset allocation and investment management arrangements. This was reviewed at a Working Party in August 2021.</li> </ul>                          |                |                     |          |
|  | <ul style="list-style-type: none"> <li>Performance of the administration function is managed through an Administration Strategy</li> </ul>  |                |                     |          |
|  | <ul style="list-style-type: none"> <li>Performance of the Administration function is managed through a set of performance indicators and reported to Pension Committee and Pension Board</li> </ul>   |                |                     |          |
| <b>Action Required:</b>  | <ul style="list-style-type: none"> <li>Continue to review the performance monitoring framework for Fund Administration.</li> </ul>  |                |                     |          |
| <b>Responsibility:</b>   | Nottinghamshire Pension Fund Committee<br>Group Manager (Financial Services);<br>Group Manager (BSC)<br>Pension Admin Manager<br>Senior Accountant - Pensions & TM  |                | <b>Timescale:</b>   | On-going |

| <b>Governance</b>  |   |                |                     |           |   |
|--|---|----------------|---------------------|-----------|---|
| <b>Risk description: Gov4 - Inadequate resources are available to manage the pension fund.</b> |   |                |                     |           |   |
|  | <b>Likelihood:</b>  | <b>Impact:</b> | <b>Risk Rating:</b> |           |   |
| <b>Inherent Risk:</b>  | 5   | 4              | 20                  | VERY HIGH | ↔ |
| <b>Current Risk:</b>   | 4   | 3              | 12                  | HIGH      | ↔ |
| <b>Current Controls:</b>   | <ul style="list-style-type: none"> <li>• The pension fund investments are managed by the Pensions &amp; Treasury Management team.</li> </ul>  |                |                     |           |   |
|  | <ul style="list-style-type: none"> <li>• Pension administration is managed by the Pension Team Manager within the BSC</li> </ul>  |                |                     |           |   |
|  | <ul style="list-style-type: none"> <li>• Operating costs are recharged to the pension fund in accordance with regulations.</li> </ul>   |                |                     |           |   |
|  | <ul style="list-style-type: none"> <li>• Staffing levels and structures are kept under regular review.</li> <li>• Additional resources have been requested to meet new requirements across the LGPS</li> <li>• Additional Resources have been agreed in relation to The McCloud Project</li> <li>• Pension Costs and resources monitored against the CIPFA Benchmarking club</li> </ul> |                |                     |           |   |
|  |   |                |                     |           |   |
| <b>Action Required:</b>  | <ul style="list-style-type: none"> <li>• Continue to monitor resource requirements via existing processes.</li> </ul>   |                |                     |           |   |
| <b>Responsibility:</b>   | Group Manager (Financial Services);<br>Group Manager (BSC)<br>PensionTeam Manager<br>Senior Accountant - Pensions & TM  |                | <b>Timescale:</b>   | On-going  |   |

| <b>Governance</b>   |  |                |                     |        |   |
|---|--|----------------|---------------------|--------|---|
| <b>Risk description: Gov5 - Failure to adhere to relevant legislation and guidance.</b> |  |                |                     |        |   |
|   | <b>Likelihood:</b>   | <b>Impact:</b> | <b>Risk Rating:</b> |        |   |
| <b>Inherent Risk:</b>   | 4  | 3              | 12                  | HIGH   | ↔ |
| <b>Current Risk:</b>  | 3  | 2              | 6                   | MEDIUM | ↔ |
| <b>Current Controls:</b>  | <ul style="list-style-type: none"> <li>• An established process exists to inform members and officers of statutory requirements and any changes to these.</li> </ul>                               |                |                     |        |   |
|   | <ul style="list-style-type: none"> <li>• An Administration Strategy was introduced in 2017 to monitor the Administration of the Fund, along with monitoring Employer compliance.</li> </ul>        |                |                     |        |   |
|   | <ul style="list-style-type: none"> <li>• Sufficient resources are required to implement LGPS changes while continuing to administer the scheme.</li> </ul>   |                |                     |        |   |
|   | <ul style="list-style-type: none"> <li>• Membership of relevant professional groups ensures changes in statutory and other requirements are registered before the implementation dates.</li> </ul> |                |                     |        |   |
|   | <ul style="list-style-type: none"> <li>• Any breaches in statutory regulations must be reported to the Pension Regulator.</li> </ul>   |                |                     |        |   |

|                         |  |                   |          |
|-------------------------|--|-------------------|----------|
| <b>Action Required:</b> | <ul style="list-style-type: none"> <li>• Review Resources against statutory requirements</li> <li>• Continue to monitor requirements via appropriate sources.</li> <li>• Continue to monitor resources to ensure adherence to legislation and guidance.</li> <li>• Update Breaches Policy</li> </ul> |                   |          |
| <b>Responsibility:</b>  | Group Manager (Financial Services);<br>Group Manager (BSC);<br>Senior Accountant - Pensions & TM<br>Pension Manager  | <b>Timescale:</b> | On-going |

| Investments   |  |                   |                     |             |
|---|--|-------------------|---------------------|-------------|
| <b>Risk description: Inv1 - Inappropriate investment strategy is adopted.</b> |  |                   |                     |             |
|   | <b>Likelihood:</b>   | <b>Impact:</b>    | <b>Risk Rating:</b> |             |
| <b>Inherent Risk:</b>   | 3  | 4                 | 12                  | VERY HIGH ↔ |
| <b>Current Risk:</b>  | 2  | 3                 | 6                   | MEDIUM ↔    |
| <b>Current Controls:</b>  | <ul style="list-style-type: none"> <li>• The investment strategy is in accordance with LGPS investment regulations and is documented, reviewed and approved by the Nottinghamshire Pension Fund Committee.</li> </ul>  |                   |                     |             |
|   | <ul style="list-style-type: none"> <li>• In setting asset allocation to deliver the Fund Return Target the Fund will seek as far as possible to invest in a diversified range of uncorrelated assets in order to reduce the level of investment risk.</li> </ul> |                   |                     |             |
|   | <ul style="list-style-type: none"> <li>• The Strategy takes into account the expected returns assumed by the actuary at the triennial valuation.</li> </ul>  |                   |                     |             |
|   | <ul style="list-style-type: none"> <li>• Investment performance is monitored against the Fund's strategic benchmark.</li> </ul>  |                   |                     |             |
|   | <ul style="list-style-type: none"> <li>• A regular review takes place of the Fund's asset allocation strategy by the Pension Fund Working Party.</li> </ul>  |                   |                     |             |
|   | <ul style="list-style-type: none"> <li>• An Independent Adviser provides specialist guidance to the Nottinghamshire Pension Fund Committee on the investment strategy.</li> </ul>  |                   |                     |             |
| <b>Action Required:</b>   | <ul style="list-style-type: none"> <li>• Continue to monitor via existing processes.</li> </ul>  |                   |                     |             |
| <b>Responsibility:</b>  | Group Manager (Financial Services);<br>Senior Accountant - Pensions & TM   | <b>Timescale:</b> | On-going            |             |

| Investments  |   |                |                     |          |
|--|---|----------------|---------------------|----------|
| <b>Risk description: Inv2 - Fund cash is insufficient to meet its current obligations.</b> |   |                |                     |          |
|  | <b>Likelihood:</b>  | <b>Impact:</b> | <b>Risk Rating:</b> |          |
| <b>Inherent Risk:</b>  | 3   | 3              | 9                   | HIGH ↔   |
| <b>Current Risk:</b>   | 2   | 3              | 6                   | MEDIUM ↔ |
| <b>Current Controls</b>  | <ul style="list-style-type: none"> <li>• Fund cash flow is monitored daily and a summary fund account is reported to the Nottinghamshire Pension Fund Committee each quarter</li> </ul> |                |                     |          |

|                         |   |                   |          |
|-------------------------|---|-------------------|----------|
|                         | <ul style="list-style-type: none"> <li>• Annual accounts are produced for the pension fund and these show the movements in net cash inflow</li> </ul> |                   |          |
|                         | <ul style="list-style-type: none"> <li>• Regular assessment of Fund assets and liabilities is carried out through actuarial valuations.</li> </ul>    |                   |          |
|                         | <ul style="list-style-type: none"> <li>• The Fund's Investment and Funding Strategies are regularly reviewed</li> </ul>                               |                   |          |
| <b>Action Required:</b> | <ul style="list-style-type: none"> <li>• Continue to monitor via existing processes.</li> </ul>   |                   |          |
| <b>Responsibility:</b>  | Nottinghamshire Pension Fund Committee;<br>Group Manager (Financial Services);<br>Senior Accountant - Pensions & TM                                   | <b>Timescale:</b> | On-going |

| <b>Investments</b>  |   |                   |                     |             |
|---|---|-------------------|---------------------|-------------|
| <b>Risk description: Inv3 - Fund assets are assessed as insufficient to meet long term liabilities.</b> |   |                   |                     |             |
|   | <b>Likelihood:</b>  | <b>Impact:</b>    | <b>Risk Rating:</b> |             |
| <b>Inherent Risk:</b>   | 4   | 4                 | 16                  | VERY HIGH ↔ |
| <b>Current Risk:</b>  | 3   | 3                 | 9                   | HIGH ↔      |
| <b>Current Controls:</b>  | <ul style="list-style-type: none"> <li>• Fund assets are kept under review as part of the Fund's performance management framework.</li> </ul>                                     |                   |                     |             |
|   | <ul style="list-style-type: none"> <li>• Regular assessment of Fund assets and liabilities is carried out through Actuarial valuations.</li> </ul>                                |                   |                     |             |
|   | <ul style="list-style-type: none"> <li>• The Fund's Investment and Funding Strategies are regularly reviewed.</li> </ul>  |                   |                     |             |
|   | <ul style="list-style-type: none"> <li>• An external adviser provides specialist guidance to the Pension Fund Committee on the investment strategy.</li> </ul>                    |                   |                     |             |
|   | <ul style="list-style-type: none"> <li>• Strength of covenant of new employers carefully assessed</li> </ul>  |                   |                     |             |
|   | <ul style="list-style-type: none"> <li>• Risks relating to existing employers are reviewed periodically</li> </ul>  |                   |                     |             |
| <b>Action Required:</b>   | <ul style="list-style-type: none"> <li>• Continue to monitor via existing processes.</li> <li>• Review cash flow projections prepared by actuaries on a regular basis.</li> </ul> |                   |                     |             |
| <b>Responsibility:</b>  | Nottinghamshire Pension Fund Committee<br>Group Manager (Financial Services);<br>Senior Accountant - Pensions & TM  | <b>Timescale:</b> | On-going            |             |

| <b>Investments</b>  |   |                |                     |        |
|---|---|----------------|---------------------|--------|
| <b>Risk description: Inv4 - Significant variations from assumptions used in the actuarial valuation occur</b> |   |                |                     |        |
|   | <b>Likelihood:</b>  | <b>Impact:</b> | <b>Risk Rating:</b> |        |
| <b>Inherent Risk:</b>   | 4   | 3              | 12                  | HIGH ↔ |
| <b>Current Risk:</b>  | 3   | 3              | 9                   | HIGH ↔ |
| <b>Current Controls:</b>  | <ul style="list-style-type: none"> <li>• Actuarial assumptions are reviewed by officers and discussed with the actuaries</li> </ul> |                |                     |        |
|   | <ul style="list-style-type: none"> <li>• Sensitivity analysis is undertaken on assumptions to measure impact</li> </ul>             |                |                     |        |

|                         |   |                   |          |
|-------------------------|---|-------------------|----------|
|                         | • Valuation are undertaken every 3 years  |                   |          |
|                         | • Monitoring of cash flow position.   |                   |          |
|                         | • Contributions made by employers vary according to their member profile.   |                   |          |
| <b>Action Required:</b> | <ul style="list-style-type: none"> <li>• Continue to monitor via existing processes.</li> <li>• Review cash flow projections prepared by actuaries on a regular basis.</li> </ul> |                   |          |
| <b>Responsibility:</b>  | Group Manager (Financial Services);<br>Senior Accountant - Pensions & TM  | <b>Timescale:</b> | On-going |

| Investments  |   |         |              |           |   |
|--|---|---------|--------------|-----------|---|
| Risk description: Inv5 - Inadequate controls to safeguard pension fund assets. |   |         |              |           |   |
| Inv5a - Investment managers  |   |         |              |           |   |
|  | Likelihood:   | Impact: | Risk Rating: |           |   |
| Inherent Risk:   | 3   | 3       | 9            | HIGH      | ↔ |
| Current Risk:  | 2   | 3       | 6            | MEDIUM    | ↔ |
| Current Controls:  | • Complete and authorised client agreements are in place. This includes requirement for fund managers to report regularly on their performance. The main managers attend Nottinghamshire Pension Fund Committee on a regular basis. |         |              |           |   |
|  | • Investment objectives are set, and portfolios must be managed in accordance with these  |         |              |           |   |
|  | • AAF 01/06 (or equivalent) reports on internal controls of service organisations are reviewed for main managers.   |         |              |           |   |
|  | • Internal decisions have a robust framework in place which is tested by internal audit   |         |              |           |   |
|  | • Fund Managers maintain an appropriate risk management framework to minimise the level of risk to Pension Fund assets.   |         |              |           |   |
| Action Required:   | • Continue to monitor via existing processes.   |         |              |           |   |
| Responsibility:  | Group Manager (Financial Services);<br>Senior Accountant - Pensions & TM  |         | Timescale:   | On-going  |   |
| Inv5b - Custody arrangements   |   |         |              |           |   |
|  | Likelihood:   | Impact: | Risk Rating: |           |   |
| Inherent Risk:   | 3   | 4       | 12           | VERY HIGH | ↔ |
| Current Risk:  | 2   | 3       | 6            | MEDIUM    | ↔ |
| Current Controls:  | • Complete and authorised agreements are in place with the external custodian.  |         |              |           |   |
|  | • AAF 01/06 (or equivalent) report on internal controls is reviewed for external custodian.   |         |              |           |   |
|  | • Regular reconciliations carried out to check external custodian records.  |         |              |           |   |

|   |   |                   |                     |
|---|---|-------------------|---------------------|
|   | <ul style="list-style-type: none"> <li>Where assets are custodied in-house, physical stock certificates are held in a secure cabinet to which access is limited.</li> </ul>   |                   |                     |
| <b>Action Required:</b>                 | <ul style="list-style-type: none"> <li>Continue to monitor via existing processes.</li> </ul>   |                   |                     |
| <b>Responsibility:</b>                  | Group Manager (Financial Services);<br>Senior Accountant - Pensions & TM  | <b>Timescale:</b> | On-going            |
| <b>Inv5c - Accounting arrangements</b>  |   |                   |                     |
|   | <b>Likelihood:</b>  | <b>Impact:</b>    | <b>Risk Rating:</b> |
| <b>Inherent Risk:</b>                   | 3   | 2                 | 6 <b>MEDIUM</b> ↔   |
| <b>Current Risk:</b>                    | 2   | 2                 | 4 <b>LOW</b> ↔      |
| <b>Current Controls:</b>                | <ul style="list-style-type: none"> <li>Pension Fund accounting arrangements conform to the Local Authority Accounting Code, relevant IFRS/IAS and the Pensions' SORP.</li> <li>The Pension Fund subscribes to the CIPFA Pensions Network and Technical Information Service and officers attend courses as appropriate.</li> <li>Regular reconciliations are carried out between in-house records and those maintained by the external custodian and investment managers.</li> <li>Internal Audits are carried out regularly.</li> <li>External Audit review the Pension Fund's accounts annually.</li> </ul>  |                   |                     |
| <b>Action Required:</b>                 | <ul style="list-style-type: none"> <li>Continue to monitor via existing processes.</li> </ul>   |                   |                     |
| <b>Responsibility:</b>                  | Group Manager (Financial Services);<br>Senior Accountant - Pensions & TM  | <b>Timescale:</b> | On-going            |
| <b>Inv5d - Financial Administration</b> |   |                   |                     |
|   | <b>Likelihood:</b>  | <b>Impact:</b>    | <b>Risk Rating:</b> |
| <b>Inherent Risk:</b>                   | 3   | 3                 | 9 <b>HIGH</b> ↔     |
| <b>Current Risk:</b>                    | 2   | 3                 | 6 <b>MEDIUM</b> ↔   |
| <b>Current Controls:</b>                | <ul style="list-style-type: none"> <li>The Pension Fund adheres to the County Council's financial regulations with appropriate separation of duties and authorisation limits for transactions.</li> <li>Daily cash settlements are made with the external custodian to maximise returns on cash.</li> <li>Investment transactions are properly authorised, executed and monitored.</li> <li>Contributions due to the fund are governed by Scheme rules which are overseen by Pensions Administration Contributions checked at the beginning of the year and the end of the year, and reconciled and balanced at the year-end.</li> <li>The Pension Fund maintains a bank account which is operated within regulatory guidelines.</li> </ul> |                   |                     |
| <b>Action Required:</b>                 | <ul style="list-style-type: none"> <li>Continue to monitor via existing processes.</li> </ul>   |                   |                     |
| <b>Responsibility:</b>                  | Group Manager (Financial Services);<br>Senior Accountant - Pensions & TM  | <b>Timescale:</b> | On-going            |



|   |   |                   |                     |
|---|---|-------------------|---------------------|
|   |   |                   |                     |
| <b>Inv5e – Stewardship -</b>  |   |                   |                     |
|   | <b>Likelihood:</b>  | <b>Impact:</b>    | <b>Risk Rating:</b> |
| <b>Inherent Risk:</b>   | 3   | 2                 | 6 <b>MEDIUM</b> ↔   |
| <b>Current Risk:</b>  | 2   | 2                 | 4 <b>LOW</b> ↔      |
| <b>Current Controls:</b>  | <ul style="list-style-type: none"> <li>• The Pension Fund aims to be a long term responsible investor.</li> <li>• Effective management of financially material social, environmental and corporate governance (ESG) risks should support the requirement to protect investment returns over the long term. ESG considerations are taken into account in the selection, non-selection, retention and realisation of investments by both the Pension Fund and underlying managers on the Fund's behalf</li> <li>• The Fund has a Climate Stewardship Plan which is implemented and reported on with the support of LGPS Central</li> <li>• The Fund is a member of Local Authority Pension Fund Forum (LAPFF) and supports their work on shareholder engagement.</li> <li>• The pension fund has a contract in place for a proxy voting services. Voting is reported to the Nottinghamshire Pension Fund Committee each quarter and published on the Fund website.</li> </ul> |                   |                     |
| <b>Action Required:</b>   | • Continue to monitor via existing processes.   |                   |                     |
| <b>Responsibility:</b>  | Group Manager (Financial Services);<br>Senior Accountant - Pensions & TM  | <b>Timescale:</b> | On-going            |
| <b>Inv6 - LGPS Central incurs net costs or decreases investment returns</b> |   |                   |                     |
|   | <b>Likelihood:</b>  | <b>Impact:</b>    | <b>Risk Rating:</b> |
| <b>Inherent Risk:</b>   | 4   | 3                 | 12 <b>HIGH</b> ↓    |
| <b>Current Risk:</b>  | 3   | 3                 | 9 <b>HIGH</b> ↓     |
| <b>Current Controls:</b>  | <ul style="list-style-type: none"> <li>• We are shareholders in LGPS Central and have significant influence on them through involvement in Shareholders Forum, Joint Committee and PAF</li> <li>• Costs and performance will be monitored</li> </ul>  |                   |                     |
| <b>Action Required:</b>   | <ul style="list-style-type: none"> <li>• Continue to attend meetings relevant meetings</li> <li>• Continue to monitor via existing processes.</li> </ul>  |                   |                     |
| <b>Responsibility:</b>  | Nottinghamshire Pension Fund Committee<br>Group Manager (Financial Services);<br>Senior Accountant - Pensions & TM  | <b>Timescale:</b> | On-going            |
| <b>Inv7 – Climate change affects the financial returns of the Fund.</b>     |   |                   |                     |
|   | <b>Likelihood:</b>  | <b>Impact:</b>    | <b>Risk Rating:</b> |
| <b>Inherent Risk:</b>   | 4   | 3                 | 12 <b>HIGH</b> ↔    |
| <b>Current Risk:</b>  | 4   | 2                 | 8 <b>MEDIUM</b> ↔   |
| <b>Current Controls:</b>  | • The financial impact of climate change on the fund can be mitigated. Businesses and individuals will have to change their behaviour and   |                   |                     |



|                         |   |                   |          |
|-------------------------|---|-------------------|----------|
|                         | consumption to reduce their carbon footprint and this presents both opportunities and threats as investors.   |                   |          |
|                         | <ul style="list-style-type: none"> <li>• We engage with management of the companies we own through LGPS Central, LAPFF and Hermes EOS to influence them to consider climate change and their sustainability.</li> </ul>   |                   |          |
|                         | <ul style="list-style-type: none"> <li>• Climate change risks are already considered as part of the purchasing and holding decision</li> </ul>  |                   |          |
|                         | <ul style="list-style-type: none"> <li>• Climate risk analysis undertaken on an annual basis with the assistance of LGPS Central.</li> </ul>  |                   |          |
|                         | <ul style="list-style-type: none"> <li>• The Fund has a Climate Risk strategy and a Climate Stewardship plan</li> </ul>   |                   |          |
| <b>Action Required:</b> | <ul style="list-style-type: none"> <li>• The current impacts of climate change are affecting particular industries and regions and the Pension Fund will look to reduce exposure to these.</li> <li>• Continued move towards our long term asset allocation.</li> </ul> |                   |          |
| <b>Responsibility:</b>  | Nottinghamshire Pension Fund Committee<br>Group Manager (Financial Services);<br>Senior Accountant - Pensions & TM  | <b>Timescale:</b> | On-going |

| <b>Administration</b>   |   |                |                     |                    |
|---|---|----------------|---------------------|--------------------|
| <b>Risk description: Adm1 - Standing data and permanent records are not accurate.</b> |   |                |                     |                    |
|   | <b>Likelihood:</b>  | <b>Impact:</b> | <b>Risk Rating:</b> |                    |
| <b>Inherent Risk:</b>   | 4   | 4              | <b>16</b>           | <b>VERY HIGH</b> ↔ |
| <b>Current Risk:</b>  | 3   | 3              | <b>9</b>            | <b>HIGH</b> ↔      |
| <b>Current Controls:</b>  | <ul style="list-style-type: none"> <li>• Business processes are in place to identify changes to standing data.</li> </ul>   |                |                     |                    |
|   | <ul style="list-style-type: none"> <li>• Records are supported by appropriate documentation; input and output checks are undertaken; reconciliation occurs to source records once input.</li> </ul> |                |                     |                    |
|   | <ul style="list-style-type: none"> <li>• Documentation is maintained in line with agreed policies.</li> </ul>   |                |                     |                    |
|   | <ul style="list-style-type: none"> <li>• The Administration Strategy supports the monitoring of employer compliance.</li> </ul>   |                |                     |                    |
|   | <ul style="list-style-type: none"> <li>• A change of details form is sent out to members alongside their annual statement.</li> </ul>   |                |                     |                    |
|   | <ul style="list-style-type: none"> <li>• Data matching exercises (National Fraud Initiative) help to identify discrepancies.</li> </ul>   |                |                     |                    |
|   | <ul style="list-style-type: none"> <li>• Mortality Screening is being performed</li> </ul>  |                |                     |                    |
|   | <ul style="list-style-type: none"> <li>• The Data Improvement Plan is being implemented as reported to committee.</li> </ul>  |                |                     |                    |
|   | <ul style="list-style-type: none"> <li>• The GMP Reconciliation Project including Payroll and Pensions Data matching exercise with HMRC is continuing</li> </ul>                                    |                |                     |                    |

|                         |  |                   |          |
|-------------------------|--|-------------------|----------|
|                         | <ul style="list-style-type: none"> <li>• Employer annual returns are reviewed and monitored. Breaches are reported to committee.</li> </ul>  |                   |          |
|                         | <ul style="list-style-type: none"> <li>• McCloud Project initiated to collect and check scheme data to enable re calculation of benefits.</li> </ul>   |                   |          |
|                         | <ul style="list-style-type: none"> <li>• Project to implement monthly return data collection from scheme employers.</li> </ul>   |                   |          |
| <b>Action Required:</b> | <ul style="list-style-type: none"> <li>• Continue to monitor via existing processes.</li> <li>• Improve monitoring of returns from major fund employers</li> <li>• Implementation of Data Improvement plan</li> <li>• Progress GMP rectification</li> <li>• Progress Mc Cloud project</li> </ul> |                   |          |
| <b>Responsibility:</b>  | Group Manager (BSC)<br>Pension Manager   | <b>Timescale:</b> | On-going |

| <b>Administration</b>  |  |                |                     |                    |
|--|--|----------------|---------------------|--------------------|
| <b>Risk description: Adm2 - Inadequate controls to safeguard pension fund records.</b> |  |                |                     |                    |
|  | <b>Likelihood:</b>   | <b>Impact:</b> | <b>Risk Rating:</b> |                    |
| <b>Inherent Risk:</b>  | 3  | 5              | 15                  | <b>VERY HIGH</b> ↔ |
| <b>Current Risk:</b>   | 2  | 3              | 6                   | <b>MEDIUM</b> ↔    |
| <b>Current Controls:</b>   | <ul style="list-style-type: none"> <li>• ICT Disaster Recovery Plan and Security Plan are agreed and in place</li> <li>• The Administration Authority has an Operational Security and Risk Team, a Security Architect providing strategic direction, an Information Governance Team headed by the Data Protection Officer and an Information Governance Board, chaired by the SIRO, providing oversight. The network has been certified as PSN Code of Connection compliant for the last decade and comprises internal and perimeter firewalls, anti-virus software, intrusion detection and response platforms, secure baseline operating system builds, annual penetration tests, multi-factor authenticated remote access and offline backups, aligning with National Cyber Security Centre best practice at all points.</li> <li>• New back up arrangements are in place</li> <li>• Software is regularly updated to meet LGPS requirements.</li> <li>• Audit trails and reconciliations are in place.</li> <li>• GDPR awareness training and documentation is in place</li> <li>• Pension Administration Documentation is maintained in line with agreed policies.</li> <li>• Physical records are held securely in the Pension Office.</li> <li>• Pensions and other related administration staff undertake data management training as required.</li> </ul> |                |                     |                    |
| <b>Action Required:</b>  | <ul style="list-style-type: none"> <li>• Continue to monitor via existing processes.</li> </ul>  |                |                     |                    |

|                        |  |                   |          |
|------------------------|--|-------------------|----------|
|                        | <ul style="list-style-type: none"> <li>Undertaking a review of controls and Safeguards separate report to Pension Board and Committee once review has been completed.</li> </ul> |                   |          |
| <b>Responsibility:</b> | Group Manager (BSC)<br>Pension Manager   | <b>Timescale:</b> | On-going |

| Administration  |  |                   |                     |        |   |
|---|--|-------------------|---------------------|--------|---|
| <b>Risk description: Adm3 - Failure to communicate adequately with all relevant stakeholders.</b> |  |                   |                     |        |   |
|   | <b>Likelihood:</b>   | <b>Impact:</b>    | <b>Risk Rating:</b> |        |   |
| <b>Inherent Risk:</b>   | 3  | 3                 | 9                   | HIGH   | ↔ |
| <b>Current Risk:</b>  | 2  | 3                 | 6                   | MEDIUM | ↔ |
| <b>Current Controls:</b>  | <ul style="list-style-type: none"> <li>A communications strategy is in place and is regularly reviewed.</li> </ul>   |                   |                     |        |   |
|   | <ul style="list-style-type: none"> <li>The Fund website is periodically updated.</li> </ul>  |                   |                     |        |   |
|   | <ul style="list-style-type: none"> <li>Member information guides are reviewed.</li> </ul>  |                   |                     |        |   |
|   | <ul style="list-style-type: none"> <li>The Fund has an annual meeting aimed at all participating employers.</li> </ul>   |                   |                     |        |   |
|   | <ul style="list-style-type: none"> <li>The Nottinghamshire Pension Fund Committee has representatives of the County Council, City Council, Nottinghamshire Local Authorities, Trade Unions, Scheduled and Admitted Bodies.</li> </ul>  |                   |                     |        |   |
|   | <ul style="list-style-type: none"> <li>Meetings are held regularly with employers within the Fund.</li> <li>District and City Council employers and other adhoc employer meetings take place as required</li> <li>A briefing for employers takes place in February or March each year in preparation for year end</li> </ul> |                   |                     |        |   |
|   | <ul style="list-style-type: none"> <li>Benefit Illustrations are sent annually to contributing and deferred Fund members.</li> </ul>   |                   |                     |        |   |
|   | <ul style="list-style-type: none"> <li>Annual report, prepared in accordance with statutory guidelines, is published on the website.</li> </ul>  |                   |                     |        |   |
| <b>Action Required:</b>   | <ul style="list-style-type: none"> <li>Continue to monitor via existing processes.</li> </ul>  |                   |                     |        |   |
| <b>Responsibility:</b>  | Group Manager (BSC)<br>Pension Manager   | <b>Timescale:</b> | On-going            |        |   |

| Administration  |                    |                |                     |           |   |
|---|--------------------|----------------|---------------------|-----------|---|
| <b>Risk description: Adm4 Scheme employers may fail to administer the scheme efficiently, leading to disruption to the discharge of administering authority functions (employer risk)</b> |                    |                |                     |           |   |
| <b>Potential data quality issues.</b>   |                    |                |                     |           |   |
|   | <b>Likelihood:</b> | <b>Impact:</b> | <b>Risk Rating:</b> |           |   |
| <b>Inherent Risk:</b>   | 3                  | 5              | 15                  | VERY HIGH | ↔ |
| <b>Current Risk:</b>  | 2                  | 3              | 6                   | MEDIUM    | ↔ |

|                          |  |                   |          |
|--------------------------|--|-------------------|----------|
| <b>Current Controls:</b> | • Clear communication of requirements to scheme employers.                                     |                   |          |
|                          | • Employer data is being reviewed as part of the data improvement plan.                        |                   |          |
|                          | • Planned roll out of the employer portal to improve the transfer of data to the Pension Fund. |                   |          |
|                          | • Actuary makes prudent assumptions at valuation.  |                   |          |
| <b>Action Required:</b>  | • Continue to monitor via existing processes.<br>• Monitor using the Breaches Policy           |                   |          |
| <b>Responsibility:</b>   | Group Manager (BSC)<br>Pension Manager   | <b>Timescale:</b> | On-going |

| <b>Administration</b>   |   |                   |                     |                  |   |
|---|---|-------------------|---------------------|------------------|---|
| <b>Risk description: Adm5 Serious breach of law regarding the management of data/information, including an unauthorised release requiring notification to ICO, leading to disruption to the discharge of administering authority functions.</b> |   |                   |                     |                  |   |
|   | <b>Likelihood:</b>  | <b>Impact:</b>    | <b>Risk Rating:</b> |                  |   |
| <b>Inherent Risk:</b>   | 3   | 5                 | 15                  | <b>VERY HIGH</b> | ↔ |
| <b>Current Risk:</b>  | 2   | 3                 | 6                   | <b>MEDIUM</b>    | ↔ |
| <b>Current Controls:</b>  | • Information Governance oversee policies and procedures  |                   |                     |                  |   |
|   | • Data breach procedure in place  |                   |                     |                  |   |
|   | • Assurance obtained from third party providers and contractors on compliance with relevant legislation.  |                   |                     |                  |   |
|   | • Identified Data Protection Officer  |                   |                     |                  |   |
|   | • Appropriate access levels in the Pension Administration system.   |                   |                     |                  |   |
| <b>Action Required:</b>   | • Continue to monitor via existing processes.<br>• Undertaking a review of controls and Safeguards separate report to Pension Board and Committee once review has been completed. |                   |                     |                  |   |
| <b>Responsibility:</b>  | Group Manager (BSC)<br>Pension Manager  | <b>Timescale:</b> |                     | On-going         |   |

**JOHN RAISIN FINANCIAL SERVICES LIMITED****The Nottinghamshire Local Pension Board****Pension Board Training Proposal**  
**Pensions Accounting, Auditing & Reporting****A paper by the Advisor to the Pension Board**  
**November 2023****Purpose**

This paper makes proposals in respect of the provision of training by the Advisor to the Board in respect of Pensions Accounting, Auditing and Reporting. This will provide training in respect one of the eight “core” areas of Knowledge and Skills for Pension Board Members as identified in the CIPFA Knowledge and Skills Framework for Local Pension Boards (2015). Training on this aspect of the Framework was last provided prior to 2020 and therefore it is suggested that all Members of the Board attend this Training session.

**Background**

The September 2022 Pension Board meeting received a paper from the Advisor to the Board entitled “Pension Board Training Programme.”

There is a legislative requirement for Pension Board Members to have “*knowledge and understanding*” of pensions law and be “*conversant*” with Scheme Regulations and Fund documents as required by the Pensions Act 2004 as amended by the Public Service Pensions Act 2013. However for Pension Board Members to fulfil their role effectively they require knowledge and understanding across a broad range of issues. Consequently guidance relating to Pension Board Members knowledge and understanding has been issued by the Pensions Regulator (Code of Practice No14, 2015) and CIPFA (CIPFA Code of Practice on LGPS knowledge and skills, June 2021, and the CIPFA Local Pension Boards A Technical Knowledge and Skills Framework of July 2015).

The CIPFA Local Pension Boards A Technical Knowledge and Skills Framework of July 2015 is particularly important as it sets out eight “core” areas of Knowledge and Skills for Board Members. It is fundamental that training across all eight of the core areas in the CIPFA Knowledge and Skills Framework are made available to all Pension Board members. These eight core areas are:

- Pensions Legislation
- Pensions Governance
- Pensions Administration

- Pensions accounting & auditing standards
- Financial markets and products knowledge (including understanding of the importance of the investment strategy)
- Procurement and relationship management
- Investment performance & risk management
- Actuarial methods, standards, and practices

Item 11

In 2021 CIPFA issued a revised Knowledge and Skills Framework which applies to LGPS Committee Members and Officers but not specifically to Pension Board Members. However as the CIPFA Framework applicable to Pension Board Members dates (back) to 2015 the 2021 CIPFA Framework, as it applies to Pension Fund Committee Members, will be taken into account in preparing and presenting the Training proposed in this paper.

### **Proposed Training**

An understanding of Pensions Accounting and Auditing is fundamental to a proper and rounded knowledge of the LGPS as a whole. It is also particularly relevant to the role of the Nottinghamshire Pension Board (and indeed every Pension Board across the LGPS) given the Board's role in the Governance of the Fund. The Training will also include coverage of the requirements relating to the Fund Annual Report as the Pension Fund Accounts are included in this document and it also includes much other important content and information.

Training in respect of Pensions Accounting and Auditing was last provided prior to 2020. Therefore it is proposed that a training session covering this aspect of the CIPFA Training Framework be provided by the Advisor to the Board prior to the meeting of the Board scheduled for March 2024. Given the period that has elapsed since Training on this area was last provide it is proposed that all Board members are both invited and encouraged to attend. Delivery time is estimated at two hours although a meeting time of two and a half hours is proposed.

**John Raisin**

**8 November 2023**

John Raisin Financial Services Limited  
Company Number 7049666 registered in England and Wales.  
Registered Office Market House, 10 Market Walk, Saffron Walden, Essex, CB10 1JZ.  
VAT Registration Number 990 8211 06

**30 November 2023****Agenda Item:12****REPORT OF THE SERVICE DIRECTOR, CUSTOMERS, GOVERNANCE AND  
EMPLOYEES****PENSION BOARD WORK PROGRAMME****Purpose of the Report**

1. To consider the Pension Board's work programme.

**Information**

2. The work programme, attached as an Appendix to this report, will assist the management of the Pension Board's agenda, the scheduling of the Board's business and forward planning. The work programme will be updated and reviewed at each pre-agenda meeting and Board meeting. Any member of the Board is able to suggest items for possible inclusion.
3. The attached work programme incorporates those items which can be anticipated at the present time. Other items will be added to the programme as they are identified.
4. It is also anticipated that the Board may wish to commission periodic reports on specific issues. The Board is therefore requested to identify any additional activities on which it would like to receive reports for inclusion in the work programme.

**Other Options Considered**

5. None.

**Reason for Recommendation**

6. To assist the Pension Board in preparing its work programme.

**Statutory and Policy Implications**

7. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## **RECOMMENDATION**

- 1) That the Nottinghamshire Pension Board considers whether any amendments are required to the Work Programme.

**Marjorie Toward**

**Service Director, Customers, Governance & Employees**

**For any enquiries about this report please contact:**

Jon Clewes

Pension Admin Manager

T: 0115 977 3434

E: Jon.Clewes@nottscc.gov.uk

### **Constitutional Comments (KK - Standing)**

8. The Committee has authority to consider the matters set out in this report by virtue of its terms of reference.

### **Financial Comments (RK - Standing)**

9. There are no direct financial implications arising from the contents of this report. Any future reports to Committee on operational activities and officer working groups, will contain relevant financial information and comments.

### **Background Papers**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

### **Electoral Division(s) and Member(s) Affected**

- All



**PENSION BOARD - WORK PROGRAMME 2023-24**

| REPORT TITLE  | BRIEF SUMMARY OF AGENDA ITEM   | LEAD OFFICER               | REPORT AUTHOR                    |
|---|--|----------------------------|----------------------------------|
| <b>November 30 2023</b>   |  |                            |                                  |
| McCloud Update  | LGPS Update on the Progress of the Impact of the McCloud Judgement on the Administration of the LGPS                                       | Jonathan Clewes            | Jonathan Clewes                  |
| Funding Strategy Statement  | Funding Strategy Statement   | Keith Palframan            |                                  |
| LGPS Update Report  | Regular Update on national LGPS issues   |                            | The Advisor to the Pension Board |
| Actuary Valuation Update  | Update on the final Valuation Position,  | Keith Palframan            |                                  |
| Annual Admin Performance Report   | Admin Performance report   | Jon Clewes                 | Jon Clewes                       |
| GMP Reconciliation Update   | Update on the implementation of the GMP reconciliation outcomes  | Jon Clewes                 | Jon Clewes                       |
| Risk Register   | Regular Review   | Jon Clewes/ Tamsin Rabbits |                                  |
| Pension Board Training Programme  | Annual Report  |                            | The Advisor to the Pension Board |
| Additional Questions:<br>Triple lock and how it relates to the LGPS<br>Update on resources for the Admin Team | To be answered at the meeting  |                            |                                  |
| <b>February 29 2023</b>   |  |                            |                                  |
| McCloud Update  | LGPS Update on the Progress of the Impact of the McCloud Judgement on the Administration of the LGPS                                       | Jon Clewes                 | Jon Clewes                       |
| The Pensions Regulator Single Modular Code  | Report on new national pensions governance and administration Code of Practice (Depends on Progress by the Regulator expected Summer 2023) | Jonathan Clewes            | Jonathan Clewes                  |
| GMP Update  | Update on the Progress of the GMP reconciliation outcomes  | Jon Clewes                 | Jon Clewes                       |

| REPORT TITLE  | BRIEF SUMMARY OF AGENDA ITEM   | LEAD OFFICER    | REPORT AUTHOR   |
|---|--|-----------------|-----------------|
|   |  |                 |                 |
| LGPS Transforming Pension Administration Update Report                                  | Periodic Update  | Sarah Stevenson | Sarah Stevenson |
| Breaches Log Review and Update  | Log of any recorded Breaches of Regulations  |                 |                 |
| Update on LGPS Central Pool   | Update on the LGPS Investment Pooling agenda in the specific context of the Nottinghamshire Fund   | Keith Palframan |                 |
| <b>To Be Placed</b>   |  |                 |                 |
| Good Governance in the LGPS project – Implications for the Nottinghamshire Pension Fund | Report on the implications of the national Scheme Advisory Board/DLUHC project on LGPS governance in the context of the Nottinghamshire Pension Fund | Sarah Stevenson | Jon Clewes      |
| Cyber Security  | Report on the Cyber Security of the Pension Fund – to be incorporated as part of the Fund moving to the hosted solution.                             | Jon Clewes      | Jon Clewes      |
|   |  |                 |                 |