

# 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**