

Nottinghamshire Pension Fund Committee

Tuesday, 17 December 2013 at 14:00

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

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(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.

Members or Officers requiring clarification on whether to make a declaration of interest are invited to contact Ruth Rimmington (Tel. 0115 9773825) or a colleague in Democratic Services prior to the meeting.

(4) Members are reminded that Committee and Sub-Committee papers, with the exception of those which contain Exempt or Confidential Information, may be recycled.

Meeting NOTTINGHAMSHIRE PENSION FUND COMMITTEE

Date Tuesday, 24th September 2013 (commencing at 2.00 pm)

membership

Persons absent are marked with 'A'

COUNCILLORS

Stella Smedley MBE JP (Chairman)
Ken Rigby (Vice-Chairman)

Reg Adair
Chris Barnfather
Mrs Kay Cutts
Glynn Gilfoyle

Sheila Place
Darrell Pulk
Parry Tsimbirdis

OFFICERS IN ATTENDANCE

Simon Cunnington (Environment & Resources)
Chris Holmes (Policy, Planning & Corporate Services)
Nigel Stevenson (Environment & Resources)

MINUTES

The Minutes of the last meeting of the Committee held on 10th June 2013, having been previously circulated, were confirmed and signed by the Chairman.

APOLOGIES FOR ABSENCE

None

DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

None

MEMBERSHIP

RESOLVED: 2013/017

That it be noted that Councillor Darrell Pulk has been appointed a member of the Committee in place of Councillor John Clarke.

PENSION FUND ACCOUNTS 2012/2013

RESOLVED: 2013/018

- (1) That the Pension Fund accounts for 2012/13 be noted.
- (2) That a report be brought to the Committee setting out the implications of people joining and leaving the scheme.

CALL FOR EVIDENCE ON THE FUTURE STRUCTURE OF THE LOCAL GOVERNMENT PENSION SCHEME

Consideration was given to a proposed response to the recent call for evidence on the future structure of the Local Government Pension Scheme. During the discussion on the proposed response it was suggested that the response should include reference to the following:

- The fact that the fund includes over 100 participating employers.
- The current arrangements give a direct link to local tax payers.
- The current arrangements for oversight by quasi trustees were cost effective and provided good value.

It was thought that the response should be included on the Pensions website. It was also suggested there was a need to obtain contributors views of the proposal. It was pointed out however that there was to be a formal consultation process shortly and that this would be an appropriate time to investigate obtaining these views.

RESOLVED: 2013/019

- (1) That approval be given to the proposed response to the call for evidence on the future structure of the Local Government Pension Scheme subject to the inclusion of the suggestions above.
- (2) That a copy of the response be included on the Pensions website.

The meeting closed at 2:20 pm.

CHAIRMAN

**REPORT OF THE SERVICE DIRECTOR (HUMAN RESOURCES &
CUSTOMER SERVICE)****LOCAL GOVERNMENT PENSION SCHEME
PROCUREMENT OF PENSIONS ADMINISTRATION SYSTEM****Purpose of the Report**

1. The purpose of this report is to inform the Nottinghamshire Pension Fund Committee of the procurement of a new pension administration system.

Information and Advice**Background**

2. Nottinghamshire County Council (NCC) is the lead authority within the Nottinghamshire Local Government Pensions Scheme. NCC's Pensions Office administers the LGPS scheme on behalf of over 230 scheme employers, with a total membership over 104,000 (active members, deferred members and pensioners). The Pension Office also provides a sold pension administration service to Nottinghamshire Police.
3. In 1975, 11 Local Authorities grouped together to form the Consortium of Local Authority Superannuation Schemes (CLASS) to provide an ICT solution for the administration and calculation of Local Government Pension Scheme (LGPS) benefits.
4. The developed system, then known as CLASS was owned and controlled by the CLASS group and replaced Nottinghamshire County Council's paper based pension administration system in 1978-1979. Ownership of the CLASS system transferred into the private ownership of Heywood Limited in the 1980's. Subsequently, the CLASS group became an advisory body to Heywood, for the interpretation of new rules and regulations and the prioritisation of development of the system.
5. Nottinghamshire County Council's contractual relationship with Heywood Limited was initially based on a single national contract (negotiated by one lead authority for all CLASS members) and was in place up until 1995. Since 1995 it was established that each authority was required to have an individual contract.

6. Heywood Limited, have continued to develop their pensions administration system over the years in line with LGPS regulation and scheme changes.
7. Until 2005, there has been no competition to Heywood's LGPS system. The majority of Administering Authorities have continued to renew or extend their contract with Heywood. However, other pension administrations systems are now available. A number of Local Authorities are now operating other systems, for example West Midlands Pension Fund, West Yorkshire Pension Fund, East Riding Pension Fund and South Tyneside Pension Fund have procured and implemented the Universal Pensions Manager (UPM) system from Civica and Hackney London Borough Council have procured the pension administration system from Equiniti.

Nottinghamshire Pension Fund current position

8. Nottinghamshire County Council's contract for the AXISe Pension Administration System, provided by Heywood Limited, expired in September 2010. Under the terms of the contract, this then automatically followed into a one year rolling contract with a 12 month notice period.
9. Following the introduction of new EU Public Procurement Rules there has been national concern, that such large scale contracts, that have not been out to tender, may be at significant risk of legal challenge.
10. In 2012, following discussions with other CLASS group members Nottinghamshire County Council joined together with a group of 9 other Local Authorities to enter into collaborative framework tendering exercise. The ten Local Authority members of the new procurement group are: Tameside, South Yorkshire, Norfolk, Essex, Bedfordshire, Nottinghamshire, London Borough of Lambeth, Cheshire West & Chester, Hampshire and Kent
11. Since its formation the Procurement Group has worked with an external legal partner and created a procurement framework and invited tenders from suppliers of pension administration systems.
12. Nottinghamshire County Council's current systems supplier, Heywood Limited has declined to enter into the tendering process. Heywood Limited has subsequently informed all Local Authority users that they will no longer be supporting their AXISe product beyond 31 December 2014.
13. The successful suppliers who have tendered and subsequently been appointed to the framework are Civica and Equiniti, from whom Nottinghamshire will select an administration system to replace AXISe.
14. Nottinghamshire County Council is required to appoint one of the successful suppliers from the framework agreement to provide a pension administration system. As the incumbent supplier, Heywood Limited has given notice that they will no longer support their AXISe product beyond 31 December 2014, the replacement system must be implemented and go live no later than 31 December 2014 to ensure that Nottinghamshire County Council can continue to administer the Nottinghamshire Pension Fund and their sold service for Nottinghamshire Police.

15. Nottinghamshire County Council will select and appoint their preferred systems supplier from the framework agreement by the end of December. This will ensure that the new system is implemented and that Nottinghamshire's pension administration is transitioned over to the new system by 31 December 2014 at the latest.

Other Options Considered

16. Contracting directly with Heywood Limited is not an option and would not be legally compliant with current procurement legislation. An alternative option would be for Nottinghamshire County Council to undertake its own EU tender. This would not be possible due to the time constraints due to the short notice given by Heywood.

Reason/s for Recommendation/s

17. Nottinghamshire County Council has no option but to select a supplier from the procurement framework to ensure that it complies legally with procurement rules and legislation. As the Administering Authority, Nottinghamshire County Council must ensure that it has in place a fully functioning and operational new pension administration system no later than 31 December 2014 to enable it to be able to fully meet its administration obligations to all scheme members.

Statutory and Policy Implications

18. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service 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

19. That the procurement of a new pension administration system is noted. Pensions Sub Committee will be kept informed of progress on the procurement and implementation of the new pension administration system.

M TOWARD

SERVICE DIRECTOR (HUMAN RESOURCES & CUSTOMER SERVICE)

For any enquiries about this report please contact:

Constitutional Comments (CEH 06.12.13)

20. The report is for noting purposes only. The report deals with the computer system upon which the Pension Fund information and records is held. The current supplier of the computer system has given notice to end the current contract and therefore a new system needs to be procured to ensure the operational day to day running of the Pension

Fund. The Council has a responsibility to follow the Financial Regulations in relation to the procurement of contracts for goods, works and services that it buys. The current contract with Heywood's for the pension computer system has evolved and developed over a number of years and has not formally been tendered putting the Council at risk of challenge of non-compliance with the Financial Regulations. As the market in, and providers of, pension computer systems has developed over recent years the Council has joined with a group of other Local Authorities to set up a procured framework contract for pension computer systems. By complying with the terms of the framework contract the Council will have a properly tendered and compliant contract for a pensions computer system.

Financial Comments (SRC 06/12/13)

21.The cost of procuring, implementing and maintaining the pension administration system is a legitimate charge to the pension fund under governing regulations.

Background Papers and Published Documents

None

Electoral Division(s) and Member(s) Affected

All

17 December 2013

Agenda Item: 6

REPORT OF SERVICE DIRECTOR – FINANCE & PROCUREMENT

REFERRALS FROM PENSIONS SUB-COMMITTEE

Purpose of the Report

1. To seek the approval of the Nottinghamshire Pension Fund Committee to the recommendations from the Pensions Sub-Committee on:
 - a) Changes to the bond portfolio.
 - b) Attendance at LAPFF business meetings.

Information and Advice

2. At its meeting on 7 November 2013, the Pensions Sub-Committee considered reports on:
 - a) Changes to the bond portfolio following recommendations from the Working Party.
 - b) The Local Authority Pension Fund Forum (LAPFF).
3. These reports are attached as annexes.

Statutory and Policy Implications

4. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service 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

- 1) That the following changes be made to the bond portfolio:
 - a. Change the portfolio benchmark to:
 - i. reduce the weighting to gilts
 - ii. increase the weighting to corporate bonds
 - iii. remove overseas government bonds entirely
 - b. Give flexibility to the manager to invest up to 10% in 'high-yield' bonds
 - c. Transfer the index-linked bonds to the Inflation Linked Fund
- 2) That approval is given for members of the Pensions Sub-Committee to attend LAPFF business meetings.

Report Author: Simon Cunningham
Senior Accountant – Pensions & Treasury Management

For any enquiries about this report please contact: Simon Cunningham

Constitutional Comments (KK)

5.

Financial Comments (SRC 09/12/13)

6. Any costs associated with the recommendations are a legitimate charge to the pension fund under governing regulations.

Background Papers and Published Documents

None

17 December 2013

Agenda Item: 7

REPORT OF SERVICE DIRECTOR – FINANCE & PROCUREMENT

PUBLIC SERVICE PENSIONS ACT 2013

Purpose of the Report

1. To inform members of the Committee of the relevant provisions of the Public Service Pensions Act 2013.

Information and Advice

2. The Public Service Pensions Act 2013 (the Act) provides a common framework for all the new public service pension schemes including the new Local Government Pension Scheme (LGPS). Each scheme will be established under regulations made by the *Responsible Authority* (i.e. the Secretary of State).
3. The Act also includes new requirements for scheme governance and introduces a number of new terms. Brief explanations of these are shown below.

Scheme Manager	Responsible for managing or administering the scheme.
Pension Board	Responsible for assisting the scheme manager in: (a) securing compliance with the scheme regulations and other legislation relating to governance and administration of the scheme; (b) securing compliance with requirements imposed by the Pensions Regulator; (c) such other matters as the scheme regulations may specify. Where the scheme manager is a committee of a local authority, the scheme regulations may provide for that committee also to be the pension board .
Scheme Advisory Board	Responsible for providing advice to the responsible authority on the desirability of changes to the scheme. This will be a national body covering the whole LGPS. A shadow board is currently in operation.

4. The Local Government Pension Scheme Regulations 2013 (the new regulations) were laid in September 2013 and detail the arrangements for the new scheme to be introduced from 1 April 2014. The new scheme will provide for benefits to accrue on a “career average revalued earnings” basis rather than on a “final salary basis” and for the normal retirement

age at which a member can draw benefits without actuarial reduction to be the same as the member's state retirement age.

5. The new regulations still refer to the scheme manager as the “administering authority” but require each authority to establish a pension board with responsibilities as shown above. However, the explanatory memorandum to the new regulations states that further draft regulations will be produced later in 2013 to establish ‘a national scheme advisory board and local pension boards for each of the 89 individual local government pension scheme fund authorities in England and Wales’.
6. The Act specifies that:
 - ‘The regulations must include provision –
 - (a) requiring the scheme manager
 - (i) to be satisfied that a person to be appointed as a member of the board does not have a conflict of interest, and
 - (ii) to be satisfied from time to time that none of the members of the board has a conflict of interest;
 - (b) requiring a member of the board, or a person proposed to be appointed as a member of the board, to provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of provision under paragraph (a);
 - (c) requiring the board to include employer representatives and member representatives in equal numbers’.
7. It is unclear at this stage exactly what the role of the pension board will be and when the new requirements will commence. It is likely, however, that changes will be required to the current governance arrangements for the Nottinghamshire fund. Further reports will be brought to Members as appropriate.
8. As well as these governance changes, the Act extends the jurisdiction of the Pensions Regulator to cover aspects of public service pension schemes. These aspects are detailed in schedule 4 of the Act and the main provisions are outlined in Appendix A.

Statutory and Policy Implications

9. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service 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

- 1) That the report be noted.

Report Author: Simon Cunnington
Senior Accountant – Pensions & Treasury Management

For any enquiries about this report please contact: Simon Cunningham

Background Papers and Published Documents

None

Regulatory oversight by the Pensions Regulator

The provisions of the Pensions Act 2004 have been amended by the Public Service Pension Scheme Act 2013 in the following regard:

1. Appointment of skilled person to assist public service pension scheme.

The Regulator is able to appoint a suitably skilled person to assist the pension board of a public service pension scheme in the discharge of its functions. The pension board 'must have regard' to the advice of a person appointed by the Regulator. The scheme manager is responsible for any costs of the person appointed.

2. Duty to report late payment of employer contributions.

A written report must be provided by the scheme manager where an employer does not pay contributions on or before the due date and that such a failure is likely to be of material significance to the Regulator.

3. Reports about misappropriation etc in public service pension schemes.

The Regulator must report to the scheme manager if they have reasonable grounds to believe that a member of the pension board has misappropriated any assets of the scheme or is likely to do so, or if a member has a conflict of interest.

4. Codes of Practice.

The Regulator may issue codes of practice with guidance on the exercise of functions under pensions legislation or on the standards of conduct expected from those exercising those functions. The Regulator must issue codes of practice on the discharge of duties under various sections of the 2004 Act.

5. Requirement for knowledge and understanding: pension boards.

Members of pension boards must have a knowledge and understanding of the law relating to pensions and other matters that may be prescribed that "is appropriate for the purposes of enabling the individual properly to exercise the functions of a member of the pension board". A member must also know about the rules and administration of the scheme.

6. Requirement for internal controls.

The scheme manager is responsible for ensuring that the scheme is administered in accordance with the scheme rules and in accordance with the law by establishing and operating internal controls to this effect.