

Local Pensions Board

Thursday, 12 December 2019 at 13:30

County Hall, West Bridgford, Nottingham, NG2 7QP

AGENDA

- | | | |
|---|--|---------|
| 1 | Minutes of the last meeting held on 11 September 2019 | 3 - 10 |
| 2 | Apologies for Absence | |
| 3 | Declarations of Interests by Members and Officers:- (see note below)
(a) Disclosable Pecuniary Interests
(b) Private Interests (pecuniary and non-pecuniary) | |
| 4 | Nottinghamshire Local Pension Board - Public Service Governance and Administration Survey 2019 | 11 - 30 |
| 5 | Nottinghamshire Local Pension Board - Pension Administration Performance Report | 31 - 38 |
| 6 | Pension Fund - Risk Register | 39 - 54 |
| 7 | Local Pension Board Review 1 April 2018 to 31 March 2019 I | 55 - 62 |
| 8 | LGPS Update - The Advisor to the Board will provide an oral update on the training session held before the Board meeting which covered LGPS governance developments. | |

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 Martin Gately (Tel. 0115 977 2826) 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 Wednesday, 11 September 2019 at 1.30 pm

membership

Persons absent are marked with 'A'

Employers

Councillor Sue Saddington	Nottinghamshire County Council
Councillor Steve Battlemuch A	Nottingham City Council
James Lacey	Nottingham Trent University
David Smith	Autism East Midlands

Members

Bernard Coleman	A	Pension Scheme member
Mark Heppenstall	A	Pension Scheme member
Thulani Molife		Pension Scheme member

Also in Attendance

John Raisin John Raisin Financial Services Ltd, Advisor to the Board

Officers in Attendance

Jon Clewes	Team Manager, Pensions
Martin Gately	Democratic Services Officer
Ciaran Guilfoyle	Investments Officer
Sarah Stevenson	Group Manager Business Services Centre

MINUTES

The minutes of the last meeting held on 18 December 2018 having been previously circulated were confirmed and signed by the Chair.

APOLOGIES FOR ABSENCE

Apologies for absence had been received from Bernard Coleman and Mark Heppenstall.

DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

None.

LOCAL GOVERNMENT PENSION SCHEME – PENSION ADMINISTRATION PERFORMANCE

Jon Clewes, Pension Manager, introduced the report, the purpose of which was to inform the Pension Board of the performance of the Administration Team, and provide details of the key performance indicators that have been developed and updated by cipfa.

Mr. Clewes explained that there had been some changes to reporting due to alterations to the CIPFA guidance on performance data. Each year the main issue for the administration of the fund has been the performance of scheme employers providing their statutory data in a timely manner. The Administration Strategy is designed to provide a framework for the management of scheme employers' responsibilities to ensure the administering authority accurate data.

Accuracy of data is critical in order to ensure that: members are paid correctly, employer costs are reliable, administration is cost effective, and to avoid a visit from the pensions regulator.

The current number of employers is 341, and this fluctuates, particularly with schools changing to academies.

In response to a question from the Chairman regarding reduced performance over the last year, Mr Clewes indicated that a number of academies have changed payroll providers and don't realise the implications arising from this and the difficulties they will experience. Some academies have been losing more experienced staff and new staff do not always know the complexities of the Pension Scheme.

While accuracy may not reach 100%, there are plans to improve it further by moving to monthly returns, gaining more employer focus and running pensions functions along the lines of payroll.

In a further response to a question from the Board regarding pensions administration resourcing, Mr Clewes stated that getting trained staff could be a challenge. The report listed the main benchmarks that the fund is required to meet. Deaths are acknowledged by letter within five days, and entitlement to death payments are also made within five days – 97% are completed against the CIPFA Key Performance Indicator. Retirements have increased significantly with more members able to retire at 55 and take benefits. Transfers, refunds and divorce quotes all occupy administration resources, and although batches of work are prioritised it has been quite challenging.

RESOLVED 2019/001

That:-

- 1) 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 be considered.

LOCAL GOVERNMENT PENSION SCHEME – GUARANTEED MINIMUM PENSION RECONCILIATION EXERCISE WITH HMRC – UPDATE REPORT

Jon Clewes introduced the report, the purpose of which was to update the Pension Board on the progress of the guaranteed minimum pension (GMP) reconciliation exercise with HM Revenue and Customs (HMRC). Mr Clewes explained that the GMP exercise had impacted on all public and private sector pension schemes. There is a requirement to reconcile the GMP elements [and make sure that members are being paid the correct amount] and this impacts on the value of the fund. The project is running late and has been put back by approximately six months. Over and underpayments on active pensions will be calculated soon, and a report will be taken to Pension Committee regarding this. HMRC presented a £750,000 deficit over thirty years. However, a number of discrepancies were identified in HMRC's data and further challenge has reduced the deficit down to £160,000.

The next stage of the project is manual calculations. Other funds have not sought repayment of overpayments. There will be a communications plan once liabilities have been identified. Additional resources for the pension administration service have also been requested via Pension Committee.

In response to queries, Mr Clewes indicated that average administration costs would be impacted on, and that it was unknown whether there would be a resulting reduction in benefits.

RESOLVED 2019/002

That the progress of the GMP reconciliation project to date be considered and an update report be received.

UPDATE ON THE LOCAL GOVERNMENT SCHEME INCLUDING THE SCHEME ADVISORY BOARD

Jon Clewes and John Raisin introduced the report, the purpose of which was to provide Nottinghamshire Pension Board with a high level summary of the main topics being considered by the National Local Government Scheme Advisory Board and other national initiatives that are being proposed by the Ministry of Housing, Communities and Local Government (MHCLG).

Mr Raisin indicated that he had covered four main issues in his paper to the Pension Board:

- Scheme Advisory Board project – Good Governance in the LGPS
- The LGPS Cost Control process, “McCloud” and its potential implications
- LGPS Consultation: Changes to the Local Valuation Cycle and the Management of Employer Risk
- Investment Pooling – the present situation regarding national guidance

Mr Raisin explained that in relation to the future governance arrangements of the LGPS Hyman Robertson had undertaken a consultation on behalf of the Scheme Advisory Board into four possible models.

Model 1 includes enhancing the LGPS governance arrangements by making more explicit recommendations regarding the operation of local LGPS funds. Model 2 would maintain existing structural arrangements but with greater ring fencing and less direct input from the Section 151 Officer; Model 3 related to the use joint committees; while Model 4 proposed the establishment of new local authorities responsible only for LGPS functions such as the existing South Yorkshire Pension Authority – the Government was petitioned in the 1980s for the South Yorkshire Pension Authority to be set up.

An online survey indicated a preference for Model 2 followed by Model 1. Models 3 and 4 received little support.

Hymans Robertson concluded, however, that governance structure was not the only determinant of good governance, and did not favour or propose consideration of any of the four models of governance, instead they made four proposals to the SAB which was based on an outcomes based approach including enhanced governance standards and independent reviews of governance.

The proposals also included updating the Statutory Guidance on LGPS governance issued in 2008. Any material changes to LGPS governance will require the MHCLG to issue a formal consultation and then consider responses before issuing any new guidance. Mr Raisin suggested that any changes to the governance of the LGPS could not be approved until June 2020 at the very earliest.

Mr Raisin felt that there was a need to stop the endless discussion about the structure of the LGPS and indicated that he hoped the Hymans Robertson proposals would achieve this.

Turning to the LGPS Cost Control process Mr Raisin mentioned the Hutton Review of defined benefit public sector pensions which some commentators had suggested were ‘gold-plated’ final salary pension schemes. Hutton’s finding was that such schemes were emphatically not ‘gold-plated’ but a ‘cost control’ mechanism had subsequently been introduced to limit the cost of such schemes.

The first review of the LGPS found that rather than increasing the cost of the scheme as measured by the ‘cost control’ mechanism had actually fallen and therefore the Scheme Advisory Board had proposed scheme improvements particularly aimed at lower paid workers

These proposals to improve the LGPS for its members had however to be placed on hold. Last year the Government lost two cases in the Court of Appeal (the McCloud case relating to the Judicial Pension Scheme and the Sargeant case relating to the Firefighters’ Pension Scheme). The court found in favour of the appellant(s) and certain protection on the basis of age is discriminatory. The LGPS will need to await the remedy, in the McCloud and Sargeant cases, which will come via an Employment Tribunal and after this a remedy will need to be applied to the LGPS. This has caused a freeze on the implementation of the Scheme Advisory Board proposals and the outcome in respect of the LGPS is therefore still awaited.

Mr Raisin explained issues in relation to the consultation entitled “LGPS: Changes to the Local Valuation Cycle and the Management of Employer Risk.” This was regarding the proposed [Page 16 of 62](#) four yearly local fund valuation cycle. The reason for the change is that the Government wants to align LGPS actuarial

valuations with the unfunded public sector schemes Mr Raisin suggested this will not help the LGPS, in fact, it is likely to make life more difficult as it will increase employer related risk although the Consultation also included proposals to help mitigate this. One proposal in the Consultation relating to universities and further education colleges, in England, is to remove the requirement to offer membership of the LGPS to non-teaching staff.

Mr Raisin updated the Board on the present situation regarding national guidance in relation to Investment Pooling. On 3 January 2019 the MHCLG had issued a Consultation on new statutory guidance on asset pooling which in essence provided in one document clear and enforceable guidance for asset pooling. The section on governance for example had made it clear that asset pools are and must be accountable to their constituent LGPS Funds and that in effect Pools are there to serve the investment needs of the LGPS Funds who own/commission them.

RESOLVED 2019/003

That the Nottinghamshire Pension Board consider the activities of the Scheme Advisory Board, and update its work programme as appropriate to reflect the recommendations of the Scheme Advisory Board.

LOCAL GOVERNMENT PENSION SCHEME – TRANSFORMING PENSION ADMINISTRATION

Sarah Stevenson, Group Manager Business Services Centre, introduced the report, the purpose of which was to update the Pension Board on a report presented to Pension Committee seeking Committee approval for the development of a programme of work to transform pension administration through digital development and implementation of new ways of working.

Ms Stevenson highlighted how a significant number of members have service which straddles several LGPS regulations. The Authority has drafted a digital strategy and anticipates interaction via a digital platform. The Regulator now expects this as the default position. The report therefore proposes an overarching programme transforming administration through digital means.

In response to a question from a Board Member regarding GDPR implications, Ms Stevenson explained that there is now a requirement to do a data impact assessment – e.g. against cyber attacks. They are tried, tested and working.

John Raisin commended the report to the Board. He stated that pensions administration is one of the most difficult things to get right. There are real challenges to every aspect, but this is a very positive approach.

The Chairman of the Board agreed that this was an important programme of work.

RESOLVED 2019/004

That Nottinghamshire Pension Board:

- 1) Consider and comment on the report regarding the scoping and development of work to transform pension administration through digital development and new ways of working.
- 2) Agree to receive update reports.

PENSION FUND RISK REGISTER

Ciaran Guilfoyle, Investments Officer, Pensions and Treasury Management, introduced the report, the purpose of which was to provide the Pension Board with a report on the risk management of the Risk Register of Nottinghamshire Pension Fund.

David Smith queried whether or not it might be beneficial, and good practice, for very high risks to be reviewed more often than annually. Mr Guilfoyle agreed that this was something which could be suggested back to Nigel Stevenson, the Section 151 Officer.

The Pension Board then proceeded to make the firm recommendation that the Risk Register is on the agenda of the Pension Fund Committee more than once per year.

In response to a question from Thulani Molife, Mr Guilfoyle indicated that pooling had not added to risk in a material way. John Raisin clarified that investment strategy is set by the Nottinghamshire Fund and not the LGPS Central pool, and that is the primary determinant of returns. Investment manager appointments which will over time become the responsibility of the pool are of second order importance.

RESOLVED 2019/005

That the Pension Fund Committee be invited to consider the Risk Register on a more frequent basis.

LGPS CENTRAL LIMITED UPDATE

Ciaran Guilfoyle introduced the report, the purpose of which was to provide information about the latest position in respect of LGPS Central Ltd.

Mr Guilfoyle stated that LGPS Central now had a new chief executive, and its website was now up and running. As of last week there was a transfer by Nottinghamshire Pension Fund into the emerging markets fund. Direct Property are likely to stay with us for some time, but Corporate Bonds are changing. At the moment, we are waiting to go back to Legal and General in order to transfer passive funds to them.

Mr Guilfoyle explained that although Legal and General's fees are a little high, LGPS will be tracking the same benchmark i.e. how the FTSE 100 is moving on a weekly basis. Previous systems in place were quite manual. More frequent tracking of the benchmark is desirable. John Raisin added that passive investment was not difficult to do, and the government would expect this to be an early area for

investment pooling arrangements. There will also be rigorous reporting requirements relating to investment pooling in the future.

RESOLVED 2019/006

That the report be considered and the activities of LGPS Central Limited continue to be monitored through regular update reports.

FINANCIAL RISKS OF FOSSIL FUEL INVESTMENTS QUERY

The Chairman, Mr Lacey, introduced the item and indicated that he had requested for it to be placed on the agenda. Mr Lacey said that he had received 100 e-mails from Extinction Rebellion. A response has now been sent, but the issue should not go away. There is no action to take to Committee at this time.

Mr Raisin stated that this topic was massively raised by pressure groups around the country. Committees need to be guided by the law, and it needs to be kept in mind that the purpose of the fund is to meet its liabilities. This fund is taking the matter extremely seriously and William Bourne, the Independent Investment Advisor to the Nottinghamshire Fund, has provided advice on these matters within the guidance set down by MHCLG.

WORK PROGRAMME

A report on the frequency of Nottinghamshire Pension Board meetings will be taken to the next meeting.

Mr Lacey indicated that he would be standing down as Chairman after this meeting.

The meeting concluded at 3.45 pm.

CHAIR

12 December 2019

Agenda Item: 4

REPORT OF SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE AND EMPLOYEES.

NOTTINGHAMSHIRE LOCAL PENSION BOARD – PUBLIC SERVICE GOVERNANCE AND ADMINISTRATION SURVEY 2019

Purpose of the Report

1. To provide the Pensions Board with a copy of the draft response to the Public Service Governance and Administration Survey 2019 issued by the Pension Regulator (TPR).
2. To consult the Pension Board on the draft response to the survey prior to the final submission.

Information and Advice

3. Each year the Pension Regulator issues all LGPS Pension Funds with a Survey that focuses on Governance and Administration of the Pension Fund and in line with the Pension Regulators Section 14 Administration standards for the LGPS.
4. The Pension Regulator hopes that all public service pension schemes will take part and complete the online questionnaire.
5. The questionnaire focuses on a number of main areas and these are:
 - a. Governance - this focuses on how the pension Board works, and the number of board meetings, and the governance of the board.
 - b. Managing Risk – this focuses on how the fund manages risk, and the process to review the risk register.
 - c. Administration and Record-Keeping Processes – the TPR is interested in scheme data and scheme records.
 - d. Cyber Security – this is a high priority for the TPR and for the Administration authority, as security of data is taken very seriously, as is outlined in the survey responses.
 - e. Data Review – the fund has been working on a data improvement exercise over the last year, along with a further data review strategy that was reported to the Pension Board in September.

- f. Further areas of response relate to annual benefit statements, issue resolution, reporting breaches to the TPR, and finally questions on perceptions of the TPR from an Administration point of view.
6. A copy of the survey and completed responses is attached in Appendix 1, the response date is the 29 November, however to enable the survey to be considered by the Pension Board an extension of the submission date has been granted..

Statutory and Policy Implications

7. 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

- 1) That Pension Board members consider the survey and whether there are any changes that they wish to make to the survey prior to submission.

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@nottscc.gov.uk

Constitutional Comments (KK28.11.2019)

8. The proposal in this report is within the remit of the Nottinghamshire Local Pension Board.

Financial Comments (KP 28.11.2019)

9. 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'

Public Service Governance and Administration Survey 2019

Please answer these questions in relation to LGPS - NOTTINGHAMSHIRE

**Introduction**

Thank you for taking the time to complete this survey.

Please answer the questions in relation to the following scheme:

LGPS - NOTTINGHAMSHIRE

Within the survey all references to 'the scheme' refer to the above. Where the scheme is locally administered, we mean the sub-scheme or fund administered by the local scheme manager.

Your responses will be kept anonymous unless you consent otherwise at the end of the survey. Linking your scheme name to your answers will help inform The Pensions Regulator's (TPR's) engagement with you in the future.

If you would like to print out a hard copy of this questionnaire to help you when collecting information from colleagues, please click [here](#). Please note, however, that we need you to complete the questionnaire through this online survey and not by filling in a hard copy.

This survey should be completed by the scheme manager or by another party on behalf of the scheme manager. They should work with the pension board chair to complete it, and other parties (e.g. the administrator) where appropriate.

There is a space at the end of the survey to add comments about your answers where you feel this would be useful. There is also an option to print/save your responses before submitting them.

Please click the arrow below to continue to the questionnaire.

Section A - Governance

The first set of questions is about how your pension board works in practice.

- A1 Does your scheme have a documented policy to manage the pension board members' conflicts of interest?

☒ Yes
☐ No
☐ Don't know

- A2 Does your scheme maintain a register of pension board members' interests?

☒ Yes
☐ No
☐ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

- A3 Focusing on the scheme's pension board meetings in the last 12 months, please tell us the following:

Please write in the number for each of a-c in the boxes below

a) Number of board meeting that were scheduled to take place (in the last 12 months)

2

b) Number of board meetings that actually took place (in the last 12 months)

2

c) Number of board meetings that were attended by the scheme manager or their representative (in the last 12 months)

2

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

- A4 Do the scheme manager and pension board have sufficient time and resources to run the scheme properly?
- ☐ Yes
☒ No
☐ Don't know
- A5 Do the scheme manager and pension board have access to all the knowledge, understanding and skills necessary to properly run the scheme?
- ☐ Yes
☒ No
☐ Don't know
- A6 How often does the scheme manager or pension board carry out an evaluation of the knowledge, understanding and skills of the board as a whole in relation to running the scheme?
- ☐ At least monthly
☐ At least quarterly
☐ At least every six months
☒ At least annually
☐ Less frequently
☐ Never
☐ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

- A7 On average, how many hours of training per year does each pension board member have in relation to their role on the pension board?

Please write in the number in the box below

hours per year

☒ Don't know

- A8 Does the pension board believe that in the last 12 months it has had access to all the information about the operation of the scheme it has needed to fulfil its functions?
- ☐ Yes
☐ No
☒ Don't know

- A9 Is the pension board able to obtain sufficient specialist advice on the following matters when it needs to?

Please select one answer per row

	Yes	No	Don't know
a) Administration	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) Cyber security	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
c) Legal	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

A10 Focusing on the composition of your pension board, please tell us the following:

Please write in the number for each of a-d in the boxes below

a) Number of current board members

☐ Don't know

b) Number of vacant positions on the board

c) Number of members that have left the board in the last 12 months

d) Number of members that have been appointed to the board in the last 12 months

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

A11 Does the scheme have a succession plan in place for the members of the pension board?

- ☐ Yes
☒ No
☐ Don't know

A12 Has the scheme manager delegated the responsibility for making the day-to-day decisions needed to run the scheme to another person?

- ☐ Yes
☒ No
☐ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section B - Managing Risks

The next set of questions is about managing risks.

- B1 Does your scheme have its own documented procedures for assessing and managing risk?

Please select 'No' if your scheme relies on your local authority's documented procedures for assessing and managing risk.

- ☒ Yes
☐ No
☐ Don't know

- B2 Does your scheme have its own risk register?

Please select 'No' if your scheme relies on your local authority's risk register.

- ☒ Yes
☐ No
☐ Don't know

- B3 In the last 12 months, how many of the 2 pension board meetings reviewed the scheme's exposure to new and existing risks?

Please write in the number in the box below

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

- B4 To what do the top three governance and administration risks on your risk register relate?

Please select up to three options below

- ☒ Funding or investment
☒ Record keeping (i.e. the receipt and management of correct data)
☐ Guaranteed Minimum Pension (GMP) reconciliation
☐ Securing compliance with changes in scheme regulations
☐ Production of annual benefit statements
☐ Receiving contributions from the employer(s)
☒ Lack of resources/time
☐ Recruitment and retention of staff or knowledge
☐ Lack of knowledge, effectiveness or leadership among key personnel
☐ Poor communications between key personnel (board, scheme manager, administrator, etc.)
☐ Failure of internal controls
☐ Systems failures (IT, payroll, administration systems, etc.)
☐ Cyber risk (i.e. the risk of loss, disruption or damage to a scheme or its members as a result of the failure of its IT systems and processes)
☐ Administrator issues (expense, performance, etc.)
☐ Other (please specify)
☐ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section C - Administration and Record-Keeping Processes

The next set of questions is about administration and record-keeping.

- C1 Does the scheme have an administration strategy?
- ☒ Yes
 - ☐ No
 - ☐ Don't know
- C2 Which of the following best describes the scheme's administration services?
- ☒ Delivered in house
 - ☐ Undertaken by another public body (e.g. a county council) under a shared service agreement or outsource contract
 - ☐ Outsourced to a commercial third party
 - ☐ Other
 - ☐ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

- C3 Which of the following do you use to measure the performance of your administrators (whether in-house or outsourced)?

Please select all that apply

- ☒ Performance against a service level agreement or service schedule
- ☐ Member satisfaction ratings
- ☐ 'Right first time' statistics
- ☐ Testing the accuracy of calculations
- ☐ Analysis of errors
- ☒ Complaints volumes and trends
- ☐ Volumes of rework required
- ☐ Assessing project delivery against initially agreed time and cost
- ☒ Benchmarking against the market
- ☒ Auditing administration functions and systems
- ☐ None of these
- ☐ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

C4 To what extent are the following processes automated?

A process is automated if it is completed through the use of technology, for example through a software platform, with minimal human intervention.

Please select one answer per row

	Fully automated	Mainly automated with some manual intervention	Mainly done manually	All done manually	Don't know
a) Verification and input of employer data	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) Reconciliation of contributions	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c) Reporting - data quality	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d) Reporting - complaints and issues	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
e) Benefit value calculations	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f) Transfer value calculations	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
g) Production of benefit statements	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
h) Monitoring workload and resourcing	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

C5 What, if any, barriers do you face to automating more of the scheme's processes?

Please select all that apply

- ☐ Lack of suitable technology
- ☐ Difficulty in integrating it with the scheme's existing systems
- ☐ The initial set-up costs involved
- ☐ Securing the necessary internal approval
- ☐ Internal resistance to (further) automation
- ☐ Lack of knowledge/expertise about how to implement this
- ☒ Poor quality of the data
- ☒ Other (please specify)
- ☐ No barriers to automating more of the scheme's processes
- ☐ Don't know

Please write in your 'Other' response in the box below

Resources available

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

- C6 In the last 12 months, how many of the 2 pension board meetings had administration as a dedicated item on the agenda?

Please write in the number in the box below

2

- C7 Do you have processes in place to monitor scheme records for all membership types on an ongoing basis to ensure they are accurate and complete?

- ☒ Yes
☐ No
☐ Don't know

- C8 Does the scheme have an agreed process in place with the employer(s) to receive, check and review data?

- ☒ Yes
☐ No
☐ Don't know

- C9 Is your scheme single employer or multi-employer?

- ☐ Single employer scheme (i.e. used by just one employer)
☒ Multi-employer scheme (i.e. used by several different employers)

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

- C11 What proportion of your scheme's employers...

Please write in the percentage (from 0% to 100%) for each of a-d in the boxes below. If you do not know exactly, please give an approximate percentage

- a) Always provide you with timely data?

80 %

☐ Don't know

- b) Always provide accurate and complete data?

47.5 %

☐ Don't know

- c) Submit data to you monthly?

%

☒ Don't know

- d) Submit data to you electronically?

100 %

☐ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

C12 Does the scheme have a process in place for monitoring the payment of contributions?

- ☒ Yes
- ☐ No
- ☐ Don't know

C13 Does the scheme have a process in place for resolving contribution payment issues?

- ☒ Yes
- ☐ No
- ☐ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section D - Cyber Security

The next set of questions is about your scheme's cyber security.

D1 Which, if any, of the following controls does your scheme have in place to protect your data and assets from 'cyber risk'?

By 'cyber risk' we mean the risk of loss, disruption or damage to a scheme or its members as a result of the failure of its information technology systems and processes.

Please select all that apply

- ☒ Roles and responsibilities in respect of cyber resilience are clearly defined and documented
- ☒ Cyber risk is on the risk register and regularly reviewed
- ☒ Assessment of the vulnerability to a cyber incident of the key functions, systems, assets and parties involved in the running of the scheme
- ☒ Assessment of the likelihood of different types of breaches occurring in the scheme
- ☒ Access to specialist skills and expertise to understand and manage the risk
- ☒ System controls (e.g. firewalls, anti-virus and anti-malware products and regular updates of software)
- ☒ Controls restricting access to systems and data
- ☒ Critical systems and data are regularly backed up
- ☒ Policies on the acceptable use of devices, passwords and other authentication, and on home and mobile working
- ☒ Policies on data access, protection, use and transmission which are in line with data protection legislation and guidance
- ☒ An incident response plan to deal with any incidents which occur
- ☒ The scheme manager has assured themselves of third party providers' controls (including administrators)
- ☒ The scheme manager receives regular updates on cyber risks, incidents and controls
- ☐ The pension board receives regular updates on cyber risks, incidents and controls
- ☐ None of these
- ☐ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

D2 Have any of the following happened to your scheme in the last 12 months?

Please select all that apply

- ☐ Computers becoming infected with ransomware
- ☐ Computers becoming infected with other viruses, spyware or malware
- ☐ Attacks that try to take down your website or online services
- ☐ Hacking or attempted hacking of online bank accounts
- ☐ People impersonating your scheme in emails or online
- ☒ Staff receiving fraudulent emails or being directed to fraudulent websites
- ☐ Unauthorised use of computers, networks or servers by staff, even if accidental
- ☐ Unauthorised use or hacking of computers, networks or servers by people outside your scheme
- ☐ Any other types of cyber security breaches or attacks
- ☐ None of these
- ☐ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

D3 Thinking of all the cyber security breaches or attacks experienced by your scheme in the last 12 months, which, if any, of the following happened as a result?

Please select all that apply

- ☐ Software or systems were corrupted or damaged
- ☐ Personal data (e.g. on members, beneficiaries or staff) was altered, destroyed or taken
- ☐ Permanent loss of files (other than personal data)
- ☐ Temporary loss of access to files or networks
- ☐ Lost or stolen assets, trade secrets or intellectual property
- ☐ Money was stolen
- ☐ Your website or online services were taken down or made slower
- ☐ Lost access to any third-party services you rely on
- ☒ None of these
- ☐ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section E - Data Review

The next set of questions is about your scheme's approach to reviewing and improving its data.

E1 When did your scheme last complete a data review exercise?

- ☐ Within the last 12 months
- ☒ More than 12 months ago
- ☐ Never completed one
- ☐ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

E2 Did your scheme's most recently completed data review exercise identify any issues or problems with the following?

Please select one answer per row

	Yes	No	Don't know
a) National insurance number	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) Date of birth	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
c) First name	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d) Surname	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e) Gender	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
f) First line of address	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
g) Postcode	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
h) Membership start date	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
i) Membership end date (if applicable)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
j) Expected retirement age	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
k) Anticipated income at retirement (based on expected retirement age)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
l) Other data item(s)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

E3 Focussing just on the specific data items that you identified issues or problems with in your most recently completed data review, approximately what percentage of the scheme memberships were affected by each one?

Please select one answer per row

	Less than 1% of memberships	1-9%	10-19%	20-29%	30% or more of memberships	Don't know
a) National insurance number	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) Date of birth	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e) Gender	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f) First line of address	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
g) Postcode	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
h) Membership start date	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
i) Membership end date (if applicable)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

- E4 Has any action been taken to address the issues or problems identified with the data?

Please choose one answer that most closely describes the action your scheme has taken to date.

- ☒ An improvement plan is in development
- ☐ An improvement plan is in place but rectification work is not yet complete
- ☐ An improvement plan has been put in place and rectification work has been completed
- ☐ Rectification work has been undertaken without an improvement plan
- ☐ No improvement plan has been developed and no work has been undertaken
- ☐ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section F - Annual Benefit Statements

The next set of questions is about members' annual benefit statements.

- F1 In 2019, what proportion of active members received their annual benefit statements by the statutory deadline?

Please write in the percentage in the box below. If you do not know exactly, please give an approximate percentage.

%

- F2 Was the missed deadline for issuing active member statements reported to TPR?

- ☐ Yes - and Breach of Law report made
- ☐ Yes - but decided not to make a Breach of Law report
- ☒ No - not reported
- ☐ Don't know

- F3 What was the main reason for not reporting the breach?

- ☒ Not material - few statements affected
- ☐ Not material - very short delay
- ☐ Other reason (please specify)
- ☐ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

- F4 What proportion of all the annual benefit statements the scheme sent out in 2019 contained all the data required by regulations?

Please write in the percentage in the box below. If you do not know exactly, please give an approximate percentage.

%

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section G - Resolving Issues

The next set of questions is about resolving issues or complaints the scheme has received.

G1 Does the scheme have a working definition of what constitutes a complaint?

- ☐ Yes
☒ No
☐ Don't know

G2 Focusing on the complaints you have received in the last 12 months from members or beneficiaries in relation to their benefits and/or the running of the scheme, please tell us the following information.

Please write in the number for each of a), b) and c) below. The number at b) should be equal to or lower than the number at a). The number at c) should be equal to or lower than the number at b).

a) Total number of complaints received:

17

b) Number of these complaints that have entered the Internal Dispute Resolution (IDR) process:

6

c) Number of these complaints that were upheld by the IDR process:

☒ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

G3 To what did the top three types of complaints going through the IDR process relate?

Please select up to three options below

- ☐ Slow or ineffective communication
☐ Inaccuracies or disputes around pension value or definitions
☐ Delays to benefit payments
☒ Disputes or queries about the amount of benefit paid
☐ Delay or refusal of pension transfer
☐ Inaccurate data held and/or statement issued
☒ Pension overpayment and recovery
☒ Eligibility for ill health benefit
☐ Other (please specify)
☐ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section H - Reporting Breaches

The next set of questions is about the scheme's approach to dealing with any breaches of the law.

- H1 Does the scheme have procedures in place to allow the scheme manager, pension board members and others to identify breaches of the law?

☒ Yes
☐ No
☐ Don't know

- H2 In the last 12 months, have you identified any breaches of the law that are not related to annual benefit statements?

☐ Yes
☒ No
☐ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

- H4 Are there procedures in place to assess breaches of the law, and report these to TPR if required?

☒ Yes
☐ No
☐ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section I - Governance and Administration

The next set of questions is about your progress in addressing governance and administration issues.

- 11 What do you believe are the top three factors behind any improvements made to the scheme's governance and administration in the last 12 months?

Please select up to three options below

Improved understanding of underlying legislation and standards expected by TPR ☒

Improved engagement by TPR ☒

Improved understanding of the risks facing the scheme ☒

Resources increased or redeployed to address risks ☐

Administrator action (please specify)

Scheme manager action (please specify)

Have attended a number of seminars to keep up to date with the requirements of the TPR and adjust the plans for the fund in line with the TPR expectations. the fund is further developing its data improvement plan, along with developing processes to maintain progress. The Administration Team has sought additional resources to help assess data improvements, along with starting a digital improvement plan.

Pension board action (please specify)

Board members have attended training events

Other (please specify)

No improvements made to governance/administration in the last 12 months ☐

Don't know ☐

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

- 12 What are the main three barriers to improving the governance and administration of your scheme over the next 12 months?

Please select up to three options below

☒ Lack of resources or time

☒ Complexity of the scheme

☐ The volume of changes that are required to comply with legislation

☐ Recruitment, training and retention of staff and knowledge

☐ Lack of knowledge, effectiveness or leadership among key personnel

☐ Poor communications between key personnel (board, scheme manager, administrator, etc.)

☒ Employer compliance

☐ Issues with systems (IT, payroll, administration systems, etc.)

☐ The McCloud judgement

☐ Other (please specify)

☐ There are no barriers

☐ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section J - Perceptions of TPR

The final set of questions is about your views of TPR.

- J1 Thinking about your overall perception of TPR, to what extent do you agree or disagree with the following words as ways to describe TPR?

Please select one answer per row

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Don't know
a) Tough	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) Efficient	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c) Visible	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d) Fair	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e) Respected	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f) Evidence-based	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
g) Decisive	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
h) Clear	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
i) Approachable	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

- J2 Thinking now about how TPR operates, how effective do you think it is at improving standards in scheme governance and administration in public service pension schemes?

- ☐ Very effective
☒ Fairly effective
☐ Neither effective nor ineffective
☐ Not very effective
☐ Not at all effective
☐ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

- J3 And to what extent do you agree or disagree with the following statements?

Please select one answer per row

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Don't know
a) TPR is effective at bringing about the right changes in behaviour among its regulated audiences	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) TPR is proactive at reducing serious risks to member benefits	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section K - Attribution

Thank you for completing this survey. Your responses will help TPR understand how schemes are progressing and any issues they may face, which will inform further policy and product developments. Before you submit your answers, there are just a few more questions about your survey responses.

K1 Which of the following best describes your role within the pension scheme?

- ☒ Scheme manager*
- ☐ Representative of the scheme manager
- ☐ Pension board chair
- ☐ Pension board member
- ☐ Administrator
- ☐ Other (please specify)

** In this survey 'Scheme manager' refers to the definition within the Public Service Pensions Act, e.g. the Local Authority, Fire and Rescue Authority, Police Pensions Authority, Secretary of State/Minister or Ministerial department*

K2 What other parties did you consult with to complete this survey?

Please select all that apply

- ☐ Scheme manager
- ☐ Representative of the scheme manager
- ☒ Pension board chair
- ☒ Pension board member
- ☐ Administrator
- ☐ Other
- ☐ Did not consult with any other parties

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

K3 To inform TPR's engagement going forward, they would like to build an individual profile of your scheme by linking your scheme name to your survey answers. This will only be used for internal purposes by TPR and your scheme name would not be revealed in any published report.

Are you happy for your responses to be linked to your scheme name and supplied to TPR for this purpose?

- ☐ Yes, I am happy for my responses to be linked to my scheme name and supplied to TPR for this purpose
- ☒ No, I would like my responses to remain anonymous

K4 And would you be happy for the responses you have given to be linked to your scheme name and shared with the relevant scheme advisory board? This is to help inform the advisory boards of areas for improvement and to further their engagement with pension boards.

- ☐ Yes, I am happy for my responses to be linked to my scheme name and shared with the relevant advisory board
- ☒ No, I would like my responses to remain anonymous

K5 TPR may conduct some follow up research on this topic to improve their advice and engagement with schemes such as yours. Would you be willing for us to pass on your name, contact details and relevant survey responses to them so that they, or a different research agency on their behalf, could invite you to take part?

You may not be contacted and, if you are, there is no obligation to take part. Your contact details will be stored for a maximum duration of 12 months, before being securely destroyed.

- ☐ Yes, I am happy to be contacted for follow-up research
- ☒ No, I would prefer not to be contacted for follow-up research

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

- K6 Please record your name below. This is just for quality control purposes and will not be passed on to TPR (unless you have agreed that they can contact you for follow-up research).

Jonathan Clewes

- K7 Finally, please use the box below if you have any other comments or would like to clarify/explain any of the answers you have given.

C11,c - The Pension Fund does not have a monthly data collection however pension contributions are provided monthly and checked and balanced. E4 - The Pension Fund is currently updating its Data improvement plan, and undertaking a project to focus on data to enable the Fund to work towards more automatic processing of benefits. F3 - The Pension Fund issued all the benefit statements it was able to issue with the data supplied by the Employers, a second run of benefit statements was issued in November to capture those members who were missed due to issues with year end data from the scheme employers. G2 - In terms of complaints/ IDR's the Fund is awaiting updates on a number of outcomes and so I have only been able to answer don't know at this stage. The fund is also developing a digital improvement programme in order to progress digital improvements, which includes the roll out of an employers portal, move to monthly returns, and the implementation of a members portal, which will move the fund to more automated processes, and administration by exception.

If you would like to print and/or save a copy of your responses then please click the 'print' button below. This will open a new browser window (you may need to allow pop-ups from this site for it to open). You can then print this or choose to save it as a pdf document. Please do this before clicking the submit button.

IMPORTANT: Please click the 'tick' button below to submit your survey.

Once you have submitted your survey you will not be able to go back and change any of your answers or print/save a copy of your responses.

12 December 2019

Agenda Item: 5

**REPORT OF THE SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE AND
EMPLOYEES.****NOTTINGHAMSHIRE LOCAL PENSION BOARD – PENSION
ADMINISTRATION PERFORMANCE REPORT.****Purpose of the Report**

1. The purpose of the report is to inform the Nottinghamshire Pension Fund Pension Board of the administration activity and performance of the Administration Team.

Information and Advice**Background**

2. One of the main areas of focus across the Local Government Pension Scheme has been 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 has highlighted this as an issue.
3. The Pensions Regulator has continued to raise concerns across the LGPS funds regarding data quality and the need for improvement. To help manage the improvement of data, the Pensions Office has been using the Pension Administration Strategy to try and drive compliance with scheme employers. Compliance has mainly been driven through the monitoring of the year end returns.
4. The Fund is required by the Pension Regulator to complete an Annual Scheme Return as part of this return the Fund is required to report on the quality of its common and conditional data. The table below presents the improved position for 2018-2019 compared to the first year of reporting in 2017-2018 -

	Common Data	Conditional Data
2017 - 2018	59%	60%
2018 - 2019	68%	66%

5. As The Pension Board are aware one of the key work streams of Pension Digital Transformation programme, which was approved by the Pension Committee in September, is Data Audit and Improvement. This work stream will support the Fund to meet the Pension Regulators requirement for it to have a data improvement plan. Good quality data is also a critical element in the success of digital transformation. To support members to channel shift good quality data is a key requirement. Without the required data members will be unable to process requests on line.
6. A series of workshop to scope this work stream are scheduled for November and December and an update on the Pension Digital Transformation programme will be provided in the new year.

Pension Fund Membership Statistics

7. At 31 March each year the Administering Authority reports 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.
8. The following table details the membership of the Fund against each category, and sets a context to the size of the Nottinghamshire Pension Fund.

Pension Fund Members as at 31 March	2017-2018	2018-2019	As at September 2019
Active Members	44,436	46,350	46,418
Deferred - Staff	46,448	47,365	49,494
Pensioners	35,245	37,157	38,461
Frozen Refunds	8,275	8,118	8,599
Leavers in progress	9,202	7,070	6,666
Total Membership	143,606	146,060	149,638

Frozen Refunds – are where members have taken a proactive decision to opt out of the LGPS but then have failed to confirm their details to enable the Fund to process a refund of contributions. The total net refund value is £1,598,266.56

9. The following table provides information taken from data provided to the Cipfa Benchmarking Club that provides comparison of the average cost per member against the cost of the Nottinghamshire Pension Fund.

Nottinghamshire Administration Costs compared to the average cost per member within the CIPFA Benchmarking Club

Process	2014	2015	2016	2017	2018	2019
Total Net Cost (£'000)	£1,585	£2,027	£1,475	£1,972	£1,952	£2,134
Total membership (Nos)	116,815	127,221	131,923	138,625	143,606	148,484
Cost per member	£13.57	£15.93	£11.18	£14.23	£13.59	£14.37
Average cost per member in the cipfa benchmarking club	£19.52	£18.73	£18.69	£20.14	£21.85	£21.34

For 2019 the difference between the cost per member within the Nottinghamshire Pension fund and the average cost per member within the benchmarking club (there are 30 LGPS members within the club) is £6.97.

Employer Scheme Membership

LGPS Employers	31.03.2019	Number Admitted	Changes +/-	Number Leaving *	30.09.2019
Scheduled 1					
Local Authorities	9				9
Academies	196	4		39	161
Others- Active	16				16
Others- Defunct	42		39		81
	263				267
Scheduled 2					
Town and Parish Councils	33				33
Others - Active	9				9
Others - Defunct	13				13
Total Scheduled	318				322
Admitted					
Admission	59	6		3	62

Others - Active	22				22
- Defunct	86				86
Total Admitted	167				170
Total	485				492

Academies: 19 – Flying High Trust,
20 – Our Lady of Lourdes Catholic Multi Academy Trust

These are Academies that have consolidated into single employers

New Admissions: Aspens Services Limited (Magnus),
Taylor Shaw Limited,
Webb Support Services Limited,

10. From April 2019 to September 2019, the number of active scheme employers has increased, with the continued growth and change of academies adding to the complexity of the scheme by increasing the employer bodies. The Fund has admitted 4 employers who met the criteria for admission into the Fund the table above 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.

11. The number of scheme employers is continuing to increase as schools convert to academy status, along with reorganisation of academy trusts and the outsourcing of services by existing scheme employers. With the increasing numbers of employers, this provides an ongoing challenge to the Administering Authority to ensure that pension fund and member data is kept up to date.

12. In order to try to reduce the number of employer bodies the Fund continues to work with a number of Academy Trusts to support the merger of single academies within Multi Academy Trusts into one single employer, to try and reduce the complexity of scheme data, however this takes time and resource in supporting the changes. The two particular trusts that have converted to a single employer are the Flying High Trust, and Our Lady of Lourdes Catholic Academy Trust.

Activities

Annual Benefit Statements

13. It was reported at the July Pension Committee and the September Pension Board that the number of scheme employers who had provided their annual return by the deadline date and the percentage of accurate returns provided. All employers submitted their data to enable the submission of valuation and annual benefit statement data. This enabled the Fund to issue annual benefit statements to all employers' deferred and active members where data was submitted and balanced.

14. The Fund issued 41,899 deferred statements in July 2019. This was the first time that the Fund had issued benefit statement earlier than the August statutory deadline.

15. The Fund also issued 37,770 active benefit statements and prior to the statutory deadline where data had been provided by the scheme employers.
16. A further 600 benefit statements were issued in November for those members that missed the first print run due to incorrect data being provided by the scheme employers.
17. In August 2019 the Fund also issued 170,724 lines of valuation data to Barnett Waddingham, the scheme actuary. Barnett Waddingham are processing the valuation data to determine the contribution rate for the next 3 years from April 2020 onwards.

Performance Data

18. The Fund monitors its performance through a suite of service level agreement (SLA) reports, which are based on the agreed SLA's within the Administration Strategy.
19. In addition this year CIPFA set up a working party which has developed a process whereby scheme administration data can be captured on a consistent basis and shared between funds, and as a result, the Administration Team is able to report on its quarter 1 and 2 performance figures as attached in Appendix 1.
20. The Table presents the performance for the first two quarters of 2019/20 and compares the performance of the Administration Team fund KPI's against the Cipfa benchmark legal requirement. The Committee will see that performance against the legal requirement averages around 83%.
21. The Pension Administration Team is also able to report a significant increase in the number of completed process in addition to the performance against the Fund KPI's. The total amount of processes completed in Quarter 1 was 8049 and Quarter 2 7018 as recorded in the Pension Administration System, this totals 15067.
22. Since the changes in legislation in May 2018, which have enabled deferred pension members over 55 years of age to seek payment of their benefits there has been a significant increase in these types of requests. The Administration Team completed 1026 process in the last two quarters of 2018/19. This work has continued to increase with 1143 retirement quotes completed.
23. The member death process is the most difficult statistic to gather and measure, and the team is currently reviewing how this process is monitored. The difficulty is the date and timing of when the Pension Administration Team are informed of the death, against when the team receive the appropriate documentation.

Other Administration Activities

24. The Pension Administration Team continue to undertake a data reconciliation exercise against the pension payroll. There are a number of reasons to undertake this work, including a requirement by as part of our internal and external Audit report, it is a regulator requirement, and is also necessary to support the completion of the GMP reconciliation project.
25. The Fund, as part of its GMP reconciliation project has now paid its bill to HMRC as part of the GMP financial reconciliation. A significant amount of investigation was undertaken which has

resulted in reducing the amount originally identified by HMRC of £750k to a final payment of £165K.

26. The employer portal will go live in December, and the first scheme employer, Nottinghamshire County Council is currently working through the on boarding process.
27. The Pension Fund issued the scheme return to the Pension Regulator by the deadline of 19 November, this is a statutory requirement, and updates the regulator on the scheme governance, data statistics, and information on the Pension Board, along with providing a list of employers who are members within the scheme.
28. The Fund has undertaken a data screening of the Pension Payroll which includes mortality screening, and tracing members of the scheme.
29. The Pension Fund continues to work on year end issues related to members records as an ongoing piece of work, along with working on outstanding processes including deferred benefit estimates and aggregations

Other Options Considered

30. Work will continue on the development of the SLA reports to provide a full range of benchmarking data over the coming financial year.
31. Further development of the Cipfa benchmarking reports in line with the guidance produced by Cipfa in the 2019 edition preparing the annual report.

Reason/s for Recommendation/s

32. This report has been compiled to inform the Nottinghamshire Pension Fund Committee 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

33. 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

34. The administration of the Nottinghamshire Pension Fund Administration is being delivered within existing resources at £2,134m 2019/20.

RECOMMENDATION

It is recommended:

1. That the Nottinghamshire Pension Fund Committee consider 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 (KK28.11.2019)

35. The proposal in this report is within the remit of the Nottinghamshire Pension Fund Committee.

Financial Comments (KP28.11.2019)

36. The cost of pension's administration is a valid charge to the pension fund and as set out in the report the costs are £2.134m at 2019/20.

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' or start list here

Electoral Division(s) and Member(s) Affected

- 'All' or start list here

Appendix 1

**1st & 2nd Quarters 2019-2020 1.04.2019 to 30.09.2019 Fund Key Performance Indicators
compared to performance of the Cipfa benchmark Key Performance Indicators**

Process	Fund KPI	% of cases completed within the fund KPI	No. cases completed	Cipfa Benchmark Legal Requirement (from notification)	% of cases completed within the CIPFA KPI	No. cases completed
Deaths – Initial letter acknowledging death of member	5 days	28	175	2 months	89.33	178
Deaths – letter notifying amount of dependants pension	10 days	78	173	2 months	78.99	238
Retirements –letter notifying estimate of retirement benefits	15 days	86.67	60	2 months	96.67	60
Retirements – process and pay pension benefits on time (next available payroll) –	30 days	74.71	1305	2 months	85.51	1394
Deferment Retirement Quote Letter	2 Months	95.01	1143	2 Months	95.01	1143
Deferment – calculate and notify deferred benefits	2 months	56.24	2646	2 months	56.24	2646
Transfers in/out – letter detailing transfer quote	1 month	52.01	373	2 months	52.30.	434
Refund – Process and pay a refund following election	2 months	94.34	442	2 months	94.34	442
Divorce quote – letter detailing cash equivalent value and other benefits	2 months	95.06	162	2 months	95.06	162
Divorce Settlement – Letter detailing implementation of pension sharing order	2 months	28.57	7	2 Months	28.57	7
Provision of Estimate of Benefits	2 months	91.78	766	2 Months	91.78	766

12 December 2019

Agenda Item: 6

REPORT OF SERVICE DIRECTOR – CUSTOMER, GOVERNANCE AND EMPLOYEES.

PENSION FUND - RISK REGISTER

Purpose of the Report

1. To provide the Pensions Board with a report on the Risk Management on the Risk Register of the Nottinghamshire Pension Fund.

Information and Advice

2. The Risk Register was last formally reviewed by the Pension Board in September 2019. Good practice is for the register to be reviewed at each Pension Board Meeting.
3. The Risk Register is attached as an appendix to this report.
4. The risks as outlined in the Register are as follows:

Ref	Risk
Adm1	Standing data & permanent records are not accurate.
Adm2	Inadequate controls to safeguard pension fund records
Adm3	Failure to communicate adequately with all relevant stakeholders.
Gov1	Pension Fund governance arrangements are not effective
Gov2	Pension Fund objectives are not defined and agreed.
Gov3	An effective performance management framework is not in place.
Gov4	Inadequate resources are available to manage the pension fund.
Gov5	Failure to adhere to relevant legislation and guidance.
Inv1	Inappropriate investment strategy is adopted.
Inv2	Fund cash is insufficient to meet its current obligations.
Inv3	Fund assets are assessed as insufficient to meet long term liabilities.
Inv4	Significant variations from assumptions used in the actuarial valuation
Inv5a	Inadequate controls - Fund manager mandates
Inv5b	Inadequate controls - Custody arrangements
Inv5c	Inadequate controls - Accounting arrangements
Inv5d	Inadequate controls - Financial Administration
Inv5e	Inadequate controls - Stewardship

5. Activities classed as 'Administrative' are managed by Pensions Administration under Group Manager (BSC), those classed as 'Investments' are managed by the Pensions & Treasury Management team in Finance under Group Manager (Financial Strategy & Accounting), and those classed as 'Governance' may involve either Admin or Finance, with additional support from Legal Services. However, there is some degree of overlap.
6. The review of the Risk Register has two aims: (i) to separate out and clarify these key risks/responsibilities; (ii) to consider what action is required to maintain or improve current risk levels and set specific and measurable objectives accordingly.
7. A copy of the Risk Register has been approved by the Pension Fund Committee and is posted to the Fund website alongside other Fund policies.

Statutory and Policy Implications

8. 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

- 1) That Pension Board members consider whether there are any actions they require in relation to the issues contained within the report.

Marjorie Toward

Service Director – Customers, Governance, and Employers

For any enquiries about this report please contact:

Jonathan Clewes, Pension Manager, Pension Administration
on 01159773434 or jonclewes@nottscc.gov.uk

Constitutional Comments (KK 28.11.2019)

9. The proposal in this report is within the remit of the Nottinghamshire Local Pension Board.

Financial Comments (KP 28.11.2019)

10. 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.

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

IMPACT:		
1	Insignificant	0 to 5% effect
2	Minor	6 to 20% effect
3	Moderate	21 to 50% effect
4	Significant	51 to 80% effect
5	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	
Risk Gov4 Inadequate resources are available to manage the pension fund.	20	VERY HIGH	↔	12	HIGH	↔
Risk Inv3 Fund assets are assessed as insufficient to meet long term liabilities.	16	VERY HIGH	↔	9	HIGH	↔
Risk Adm1 Standing data & permanent records are not accurate.	16	VERY HIGH	↔	9	HIGH	↔
Risk Adm2 Inadequate controls to safeguard pension fund records	15	VERY HIGH	↔	6	MEDIUM	↔
Risk Inv4 Significant variations from assumptions used in the actuarial valuation	12	HIGH	↔	9	HIGH	↔
Risk Inv1 Inappropriate investment strategy is adopted.	12	VERY HIGH	↔	6	MEDIUM	↔
Risk Inv5b Custody arrangements	12	VERY HIGH	↔	6	MEDIUM	↔
Risk Inv6 LGPS Central incurs net costs or decreases investment returns	12	VERY HIGH	↔	9	HIGH	↔
Risk Gov5 Failure to adhere to relevant legislation and guidance.	12	HIGH	↔	6	MEDIUM	↔
Risk Gov3 An effective performance management framework is not in place.	9	HIGH	↔	6	MEDIUM	↔
Risk Gov1 Pension Fund governance arrangements are not effective	9	HIGH	↔	6	MEDIUM	↔
Risk Gov2 Pension Fund objectives are not defined and agreed.	9	HIGH	↔	6	MEDIUM	↔
Risk Inv2 Fund cash is insufficient to meet its current obligations.	9	HIGH	↔	6	MEDIUM	↔
Risk Inv5a Fund manager mandates	9	HIGH	↔	6	MEDIUM	↔
Risk Inv5d Financial Administration	9	HIGH	↔	6	MEDIUM	↔
Risk Adm3 Failure to communicate adequately with all relevant stakeholders.	9	HIGH	↔	6	MEDIUM	↔
Risk Inv5c Accounting arrangements	6	MEDIUM	↔	4	LOW	↔
Risk Inv5e Stewardship	6	MEDIUM	↔	4	LOW	↔

Governance					
Risk description: Gov1 - Pension Fund governance arrangements are not effective					
	Likelihood:	Impact:	Risk Rating:		
Inherent Risk:	3	3	9	HIGH	↔
Current Risk:	2	3	6	MEDIUM	↔
Current Controls:	<ul style="list-style-type: none"> The Council's constitution clearly delegates the functions of administering authority of the pension fund to the Nottinghamshire Pension Fund Committee. 				
	<ul style="list-style-type: none"> Under the LGPS Regulations the Administering Authority has established a Pension Board 				
	<ul style="list-style-type: none"> The terms of reference of the Pension Fund Committee are agreed. The terms of reference of the Pension Board are agreed. 				
	<ul style="list-style-type: none"> 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. 				
	<ul style="list-style-type: none"> 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. Pension Board Members are also required to undertake training 				
	<ul style="list-style-type: none"> Officers of the Council attend meetings of the Pension Fund Committee and the Pension Board. 				
	<ul style="list-style-type: none"> The Fund has a formal contract for an independent adviser to give advice on investment matters. They are contracted to attend each Pension Fund Committee meeting. 				
	<ul style="list-style-type: none"> The Administering Authority has a formal contract for an independent adviser to give advice on LGPS regulations to the Pension Board 				
Action Required:	<ul style="list-style-type: none"> Continue to monitor via existing processes. 				
Responsibility:	Group Manager (Financial Services) Group Manager (BSC) Group Manager (Legal Services) Pension Manager Senior Accountant - Pensions & TM		Timescale:	On-going	

Governance					
Risk description: Gov2 - Pension Fund objectives are not defined and agreed					
	Likelihood:	Impact:	Risk Rating:		
Inherent Risk:	3	3	9	HIGH	↔
Current Risk:	2	3	6	MEDIUM	↔
Current Controls:	<ul style="list-style-type: none"> Purpose and objectives are outlined in the Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS). Both documents are 				

	approved by the Pension Fund Committee and reviewed on a regular basis.		
Action Required:	• Continue to monitor via existing processes.		
Responsibility:	Pension Fund Committee; Group Manager (Financial Services)	Timescale:	On-going

Governance					
Risk description: Gov3 - An effective performance management framework is not in place.					
	Likelihood:	Impact:	Risk Rating:		
Inherent Risk:	3	3	12	HIGH	↔
Current Risk:	2	3	6	MEDIUM	↔
Current Controls:	<ul style="list-style-type: none"> Investment performance is reported quarterly to the Pension Fund Committee. The Fund's main investment managers attend each quarter and officers receive regular updates from the Fund's other investment managers. 				
	<ul style="list-style-type: none"> Poor investment performance is considered by the Pension Fund Committee. The Pension Fund Committee's actions are monitored by the Pension Board 				
	<ul style="list-style-type: none"> A Fund strategic benchmark has been implemented to improve monitoring of decisions regarding asset allocation and investment management arrangements. 				
	<ul style="list-style-type: none"> Performance of the administration function is managed through an Administration Strategy 				
Action Required:	• Consider performance monitoring framework for Fund Administration.				
Responsibility:	NPF Committee Group Manager (Financial Services); Group Manager (BSC) Pension Manager Senior Accountant - Pensions & TM	Timescale:		On-going	

Governance					
Risk description: Gov4 - Inadequate resources are available to manage the pension fund.					
	Likelihood:	Impact:	Risk Rating:		
Inherent Risk:	5	4	20	VERY HIGH	↔
Current Risk:	4	3	12	HIGH	↔
Current Controls:	<ul style="list-style-type: none"> The pension fund investments are managed by the Pensions & Treasury Management team. 				
	<ul style="list-style-type: none"> Pension administration is managed by the Pension Team Manager within the BSC 				

	<ul style="list-style-type: none"> Operating costs are recharged to the pension fund in accordance with regulations. 		
	<ul style="list-style-type: none"> Staffing levels and structures are kept under regular review. Pension Costs and resources monitored against the CIPFA Benchmarking club 		
Action Required:	<ul style="list-style-type: none"> Continue to monitor via existing processes. 		
Responsibility:	Group Manager (Financial Services); Group Manager (BSC) Pension Manager Senior Accountant - Pensions & TM	Timescale:	On-going

Governance					
Risk description: Gov5 - Failure to adhere to relevant legislation and guidance.					
	Likelihood:	Impact:	Risk Rating:		
Inherent Risk:	4	3	12	HIGH	↔
Current Risk:	3	2	6	MEDIUM	↔
Current Controls:	• An established process exists to inform members and officers of statutory requirements and any changes to these.				
	• An Administration Strategy was introduced in 2017 to monitor the Administration of the Fund, along with monitoring Employer compliance.				
	• Sufficient resources are put in place to implement LGPS changes while continuing to administer the scheme.				
	• Membership of relevant professional groups ensures changes in statutory and other requirements are registered before the implementation dates.				
	• Any breaches in statutory regulations must be reported to the Pension Regulator.				
Action Required:	• Review Resources against statutory requirements • Continue to monitor requirements via appropriate sources. • Continue to monitor resources to ensure adherence to legislation and guidance.				
Responsibility:	Group Manager (Financial Services); Group Manager (BSC); Senior Accountant - Pensions & TM Pension Manager		Timescale:	On-going	
Investments					
Risk description: Inv1 - Inappropriate investment strategy is adopted.					
	Likelihood:	Impact:	Risk Rating:		
Inherent Risk:	3	4	12	VERY HIGH	↔

Current Risk:	2	3	6	MEDIUM	↔
Current Controls:	<ul style="list-style-type: none"> • The investment strategy is in accordance with LGPS investment regulations and is documented, reviewed and approved by the Pension Fund Committee. • The Strategy takes into account the expected returns assumed by the actuary at the triennial valuation. • Investment performance is monitored against the Fund's strategic benchmark. • A regular review takes place of the Fund's asset allocation strategy by the Pension Fund Working Party. • An external adviser provides specialist guidance to the Pension Fund Committee on the investment strategy. 				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM		Timescale:	On-going	

Investments					
Risk description: Inv2 - Fund cash is insufficient to meet its current obligations.					
	Likelihood:	Impact:	Risk Rating:		
Inherent Risk:	3	3	9	HIGH	↔
Current Risk:	2	3	6	MEDIUM	↔
Current Controls	• Fund cash flow is monitored daily and a summary fund account is reported to Pension Fund Committee each quarter				
	• Annual accounts are produced for the pension fund and these show the movements in net cash inflow				
	• Regular assessment of Fund assets and liabilities is carried out through actuarial valuations.				
	• The Fund's Investment and Funding Strategies are regularly reviewed				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Pension Committee; Group Manager (Financial Services); Senior Accountant - Pensions & TM		Timescale:	On-going	
Investments					
Risk description: Inv3 - Fund assets are assessed as insufficient to meet long term liabilities.					
	Likelihood:	Impact:	Risk Rating:		
Inherent Risk:	4	4	16	VERY HIGH	↔
Current Risk:	3	3	9	HIGH	↔

Current Controls:	• Fund assets are kept under review as part of the Fund's performance management framework.		
	• Regular assessment of Fund assets and liabilities is carried out through Actuarial valuations.		
	• The Fund's Investment and Funding Strategies are regularly reviewed.		
	• An external adviser provides specialist guidance to the Pension Fund Committee on the investment strategy.		
Action Required:	<ul style="list-style-type: none"> • Continue to monitor via existing processes. • Review cash flow projections prepared by actuaries on a regular basis. 		
Responsibility:	Pension Committee Group Manager (Financial Services); Senior Accountant - Pensions & TM	Timescale:	On-going

Investments					
Risk description: Inv4 - Significant variations from assumptions used in the actuarial valuation occur					
	Likelihood:	Impact:	Risk Rating:		
Inherent Risk:	4	3	12	HIGH	↔
Current Risk:	3	3	9	HIGH	↔
Current Controls:	• Actuarial assumptions are reviewed by officers and discussed with the actuaries				
	• Sensitivity analysis is undertaken on assumptions to measure impact				
	• Valuation are undertaken every 3 years				
	• Monitoring of cash flow position and preparation of medium term business plan.				
	• Contributions made by employers vary according to their member profile.				
Action Required:	<ul style="list-style-type: none"> • Continue to monitor via existing processes. • Review cash flow projections prepared by actuaries on a regular basis. 				
Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM		Timescale:	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:	<ul style="list-style-type: none"> Complete and authorised client agreements are in place. This includes requirement for fund managers to report regularly on their performance. Mandate managers attend Pension Fund Committee on a quarterly basis. 		
	<ul style="list-style-type: none"> Investment objectives are set, and portfolios must be managed in accordance with these 		
	<ul style="list-style-type: none"> AAF 01/06 (or equivalent) reports on internal controls of service organisations are reviewed for mandate managers. 		
	<ul style="list-style-type: none"> In-House Fund has a robust framework in place which is regularly tested by internal audit 		
	<ul style="list-style-type: none"> Fund Managers maintain an appropriate risk management framework to minimise the level of risk to Pension Fund assets. 		
Action Required:	<ul style="list-style-type: none"> Continue to monitor via existing processes. 		
Responsibility:	Group Manager (Financial Services); 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:	<ul style="list-style-type: none"> Complete and authorised agreements are in place with the external custodian. 		
	<ul style="list-style-type: none"> AAF 01/06 (or equivalent) report on internal controls is reviewed for external custodian. 		
	<ul style="list-style-type: none"> Regular reconciliations carried out to check external custodian records. 		
	<ul style="list-style-type: none"> Where assets are custodied in-house, physical stock certificates are held in a secure cabinet to which access is limited. 		
Action Required:	<ul style="list-style-type: none"> Continue to monitor via existing processes. 		
Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM	Timescale:	On-going
Inv5c - Accounting arrangements			
	Likelihood:	Impact:	Risk Rating:
Inherent Risk:	3	2	6 MEDIUM ↔
Current Risk:	2	2	4 LOW ↔
Current Controls:	<ul style="list-style-type: none"> Pension Fund accounting arrangements conform to the Local Authority Accounting Code, relevant IFRS/IAS and the Pensions' SORP. 		
	<ul style="list-style-type: none"> The Pension Fund subscribes to the CIPFA Pensions Network and Technical Information Service and officers attend courses as appropriate. 		
	<ul style="list-style-type: none"> Regular reconciliations are carried out between in-house records and those maintained by the external custodian and investment managers. 		

	• Internal Audits are carried out regularly.			
	• External Audit review the Pension Fund’s accounts annually.			
Action Required:	• Continue to monitor via existing processes.			
Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM	Timescale:	On-going	
Inv5d - Financial Administration				
	Likelihood:	Impact:	Risk Rating:	
Inherent Risk:	3	3	9	HIGH ↔
Current Risk:	2	3	6	MEDIUM ↔
Current Controls:	<ul style="list-style-type: none">• The pension fund adheres to the County Council’s financial regulations with appropriate separation of duties and authorisation limits for transactions.• Daily cash settlements are made with the external custodian to maximise returns on cash.• Investment transactions are properly authorised, executed and monitored.• Contributions due to the fund are governed by Scheme rules which are implemented by the Pensions Manager• The Pension fund maintains a bank account which is operated within regulatory guidelines.			
Action Required:	• Continue to monitor via existing processes.			
Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM	Timescale:	On-going	
Inv5e – Stewardship -				
	Likelihood:	Impact:	Risk Rating:	
Inherent Risk:	3	2	6	MEDIUM ↔
Current Risk:	2	2	4	LOW ↔
Current Controls:	<ul style="list-style-type: none">• The pension fund aims to be a long term responsible investor and plans to adopt the FRC’s Stewardship code.• The Fund is a member of Local Authority Pension Fund Forum (LAPFF) and National Association of Pension Funds (NAPF), and supports their work on shareholder engagement.• The pension fund has a contract in place for a proxy voting services. Voting is reported to the Pension Fund Committee each quarter and published on the Fund website.			
Action Required:	• Continue to monitor via existing processes.			
Responsibility:	Group Manager (Financial Services); Senior Accountant - Pensions & TM	Timescale:	On-going	

Investments				
Risk description: Inv6 - LGPS Central incurs net costs or decreases investment returns				
	Likelihood:	Impact:	Risk Rating:	
Inherent Risk:	3	4	12	VERY HIGH ↔
Current Risk:	3	3	9	HIGH ↔
Current Controls:	<ul style="list-style-type: none"> • We are shareholders in LGPS Central and have significant influence on them through involvement in Shareholders Forum, Joint Committee and PAF 			
	<ul style="list-style-type: none"> • Costs and performance will be monitored 			
Action Required:	<ul style="list-style-type: none"> • Continue to attend meetings relevant meetings • Continue to monitor via existing processes. 			
Responsibility:	Pension Fund Committee Group Manager (Financial Services); Senior Accountant - Pensions & TM		Timescale:	On-going

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

	<ul style="list-style-type: none"> • Improve monitoring of returns from major fund employers • Implementation of Data Improvement plan and GDPR Action Plan 		
Responsibility:	Group Manager (BSC) Pension Manager	Timescale:	On-going

Administration					
Risk description: Adm2 - Inadequate controls to safeguard pension fund records.					
	Likelihood:	Impact:	Risk Rating:		
Inherent Risk:	3	5	15	VERY HIGH	↔
Current Risk:	2	3	6	MEDIUM	↔
Current Controls:	• ICT Disaster Recovery Plan and Security Plan are agreed and in place				
	• New back up arrangements are in place				
	• Software is regularly updated to meet LGPS requirements.				
	• Audit trails and reconciliations are in place.				
	• GDPR plan is in place				
	• Documentation is maintained in line with agreed policies.				
Action Required:	• Physical records are held securely.				
	• Pensions and other related administration staff undertake data management training as required.				
Action Required:	• Continue to monitor via existing processes.				
Responsibility:	Group Manager (BSC) Pension Manager	Timescale:	On-going		

Administration					
Risk description: Adm3 - Failure to communicate adequately with all relevant stakeholders.					
	Likelihood:	Impact:	Risk Rating:		
Inherent Risk:	3	3	9	HIGH	↔
Current Risk:	2	3	6	MEDIUM	↔
Current Controls:	• A communications strategy is in place and is regularly reviewed.				
	• The Fund website is periodically updated.				
	• Member information guides are reviewed.				
	• The Fund has an annual meeting aimed at all participating employers.				
	• The Pension Fund Committee has representatives of the County Council, City Council, Nottinghamshire Local Authorities, Trade Unions, Scheduled and Admitted Bodies.				
	• Meetings are held regularly with employers within the Fund.				

	<ul style="list-style-type: none"> • District and City Council employers and other adhoc employer meetings take place as required • A briefing for employers takes place in February or March each year in preparation for year end 		
	<ul style="list-style-type: none"> • Benefit Illustrations are sent annually to contributing and deferred Fund members. 		
	<ul style="list-style-type: none"> • Annual report, prepared in accordance with statutory guidelines, is published on the website. 		
Action Required:	<ul style="list-style-type: none"> • Consider employer risk analyses to safeguard contributions to the Fund. 		
Responsibility:	Group Manager (BSC) Pension Manager	Timescale:	On-going

Administration					
Risk Adm4 description: Risk Admn4 Scheme employers may fail to administer the scheme efficiency, leading to disruption to the discharge of administering authority functions (employer Risk) Potential data quality issues.					
	Likelihood:	Impact:	Risk Rating:		
Inherent Risk:	3	5	15	VERY HIGH	↔
Current Risk:	2	3	6	MEDIUM	↔
Current Controls:	<ul style="list-style-type: none"> • Clear communication of requirements to scheme employers. 				
	<ul style="list-style-type: none"> • Undertake employer data review planned as part of the data improvement plan. 				
	<ul style="list-style-type: none"> • Planned role out of the employer portal to improve the transfer of data to the Pension Fund. 				
Action Required:	<ul style="list-style-type: none"> • Continue to monitor via existing processes. 				
Responsibility:	Group Manager (BSC) Pension Manager	Timescale:	On-going		

Administration				
Risk 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.				
	Likelihood:	Impact:	Risk Rating:	
Inherent Risk:	3	5	15	VERY HIGH ↔
Current Risk:	2	3	6	MEDIUM ↔
Current Controls:	<ul style="list-style-type: none"> • Information Governance oversee policies and procedures 			
	<ul style="list-style-type: none"> • Data breach procedure in place 			
	<ul style="list-style-type: none"> • Assurance obtained from third party providers and contractors on compliance with relevant legislation. 			
	<ul style="list-style-type: none"> • Identified data protection Officer 			
	<ul style="list-style-type: none"> • Appropriate access levels in the Pension Administration system. 			
Action Required:	<ul style="list-style-type: none"> • Continue to monitor via existing processes. 			
Responsibility:	Group Manager (BSC) Pension Manager		Timescale:	On-going

12 December 2019

Agenda Item:7

REPORT OF THE SERVICE DIRECTOR FOR CUSTOMERS, GOVERNANCE AND EMPLOYEES

THE LOCAL GOVERNMENT PENSION BOARD REVIEW 1 APRIL 2018 TO 31 MARCH 2019.

Purpose of the Report

1. To provide a report by the Advisor of the Board reviewing the activity of the Nottinghamshire Local Pension Board for the period 1 April 2018 to 31 March 2019.
2. That the Pension Board consider the report prior to the report to be presented at the next available Pension Committee meeting.

Information

3. The Local Government Pension Board was established on 26 March 2015 and is responsible for “assisting” to secure compliance with pension legislation, regulations and guidance to ensure the effective governance and administration of the Local Government Pension Scheme.
4. The Pension Board is not a decision making body and the decision making function remains with the Administering Authority and this in Nottinghamshire is delegated to the Pension Committee.
5. The Board currently meets twice a year and the last meeting was held on 11 September 2019.
6. As part of the work activities of the Pension Board there is a requirement for the Chair of the Pension Board to provide a report to the Pension Committee updating the committee on the work of the Board and where appropriate to make recommendations to the Pension Committee.
7. The final report is attached in Appendix A. In drawing up the report the chair of the Pension Board commissioned the Independent Pension Board Advisor to write the report reviewing the activities of the Pension Board since for 1 April 2018 to 31 March 2019.

Other Options Considered

8. There are no other options to be considered.

Reason/s for Recommendation/s

9. This report has been compiled to for the Pensions Board to consider the report prior to the report being presented to the next available Pension Fund Committee.

Statutory and Policy Implications

10. 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

N/A

Financial Implications

N/A

Human Resources Implications

N/A

Implications for Service Users

N/A

RECOMMENDATION/S

It is recommended that:

1) The Pensions Board receives and considers the report of the advisor of the Pension Board. along with identifying any actions required.

Marjorie Toward

Service Director – Customers, Governance and Employees

For any enquiries about this report please contact:

Jon Clewes, Pension Manager on 01159773434 or Jon.Clewes@nottscg.gov.uk

Constitutional Comments (KK28.11.2019)

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

Financial Comments (KP28.11.2019)

12. There are no financial implications identified within the report

HR Comments

N/A

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' or start list here

Electoral Division(s) and Member(s) Affected

- 'All' or start list here

JOHN RAISIN FINANCIAL SERVICES LIMITED

The Nottinghamshire Local Pension Board **Pension Board Review 1 April 2018 to 31 March 2019** **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 2018 to 31 March 2019.

Purpose of the Nottinghamshire Local Pension Board

Under its Terms of Reference, approved by the Nottinghamshire County Council on 26 March 2015, the purpose of the Nottinghamshire Local Pension Board is to assist the Nottinghamshire Pension Fund Committee (and its sub-committees). The Pension Fund Committee exercises the role of Scheme Manager for the Nottinghamshire Fund under the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

Regulation 106(1) of the Local Government Pension Scheme Regulations 2013 (as amended) requires that each Administering Authority, which in the case of the Nottinghamshire Local Government Pension Fund is Nottinghamshire County Council, establish a Local Pension Board by 1 April 2015 responsible for "*assisting it*" to secure compliance with pension legislation, regulations and guidance; and "*to ensure the effective and efficient governance and administration*" of the Local Government Pension Scheme.

Under its Terms of Reference (and in accordance with the LGPS Regulations 2013 (As amended)), the Board does not replace the Pension Fund Committee or make any decisions or carry out other duties which are the responsibility of that Committee. Rather, its first core function is to assist the Pension Fund Committee in securing compliance with the relevant legislation relating to the governance and administration of the LGPS in Nottinghamshire. The second core function is to ensure the effective and efficient governance and administration of the Fund. In accordance with its Terms of Reference the Board may, however, determine which areas it wishes to consider and the Board has authority to make a request for information with regard to any aspect of the operation of the Pension Fund. It may also make recommendations to the County Council or any relevant committees which must be considered and a response made to the Board.

Board Meetings

The report to Council, in 2015, which resulted in the establishment of the Board proposed that the Board meet twice a year. Two meetings of the Board were held during the period covered by this review. The Agenda Items considered at each Board meeting are shown in the Table below:

	14/6/18	4/12/18
Minutes of Previous Meeting	/	/
Declarations of Interest	/	/
Pension Board Review 26 March 2015 to 31 March 2018	/	
Pension Administration Performance and Data Quality	/	/
Pension Fund Risk Register	/	
Pension Board Work Programme	/	/
Update on the Scheme Advisory Board		/
The Pension Regulator Questionnaire and Scheme Return		/

James Lacey, Director of Finance at Nottingham Trent University, who was elected Chair of the Board in April 2016, continued in this role throughout the period 1 April 2018 to 31 March 2019. As in previous years consideration of Pensions Administration issues was a particular focus of the Board. This is rightly an area of close interest to the Board as it is made up of representatives of the Employers and Employees within the Nottinghamshire Fund. Both the Pensions Regulator (Code of Practice No 14) and CIPFA (Managing Risk in the Local Government Pension Scheme) emphasise the importance of risk management. Therefore, it was very important that the Pension Board should review both the Nottinghamshire Fund's approach to risk management and the Risk Register itself. The LGPS is a complex and ever developing pension scheme and consequently it is vital that the members of the Board are provided with information to keep them abreast of the latest developments within the Scheme. Such an update was provided, at the December 2018 Board meeting, in the context of the role and work of the national Scheme Advisory Board. An Update on national LGPS developments will be presented to Board meetings, or during training, on a regular basis going forward.

At both the June 2018 and December 2018 meetings the Board received a detailed report covering a range of Pension Administration issues. These included membership, employer data, performance data, death processes, transfers, retirements, deferred benefits, GMP reconciliation. These reports together with an oral presentation by the Pension Manager provided the Board with relevant and significant material upon which to ask questions and provide constructive challenge. The performance and resourcing of the Pensions Administration service was an area of particular interest as reflected in the questions and comments of Board members.

At the June 2018 meeting a report providing both the background to the management of risk by the Nottinghamshire LGPS Fund together with the Risk Management Strategy and the actual Risk Register were presented to the Board. This provided members with an opportunity to understand the risk management process which resulted in both queries and discussion across both Investment and Pensions Administration.

A broad report on national developments relating to the LGPS which included a focus on the Scheme Advisory Board (SAB) was presented to the Board at its December 2018 meeting. The report included coverage of the purpose of the SAB, background to and progress relating to the 'Cost Cap' introduced as part of the 2014 reforms of the LGPS, the background and results of the 'Section 13 Valuation' of the LGPS across England and Wales, the SAB 'Separation Project' (now renamed 'Good Governance in the LGPS') looking at governance across the LGPS, and the SAB 'Tier 3 employer' review. After hearing from the Pensions Manager and Advisor to the Board members commented that they considered the report extremely useful as it enabled them to better understand the broader context and developments in the LGPS nationally.

At the December 2018 meeting the Board received a report on the response of the Nottinghamshire LGPS Fund to the Pension Regulator's (TPR) Annual Governance Survey 2018. This report highlighted to the Board the broad range of the active interest of TPR in relation to the LGPS. As the survey demonstrated this covers not only the crucial issue of Pensions Administration including record keeping, data review, Annual Benefit Statements and complaints. The survey also included Pension Board governance, managing Risks, cyber security and reporting breaches of the law.

The Work Programme was considered and further developed at both the June 2018 and December 2018 Board meetings. This continued the practice established at the first meeting of the Board held on 16 December 2015. Pensions Administration in particular was identified as an area of focus.

Pension Board Review 26 March 2015 to 31 March 2018

A review of the establishment of the Nottinghamshire Local Pension Board and its activity from 2015 to 31 March 2018 was considered by the Board at its meeting held on 14 June 2018. The review included coverage of the background to the creation of the Board, its role, training of Board members and Board activity. The review highlighted the focus of the Board on the administration of the Nottinghamshire LGPS Fund. In the discussion of the report specific reference was made by the Chair of the Board to its role in relation to assurance.

Training and Development

It is a statutory requirement under Schedule 4 of the Public Service Pensions Act 2013 and Section 248A of the Pensions Act 2004 (As amended) that members of Pension Boards have “knowledge and understanding” of pensions law and be “conversant” with the Scheme Regulations and Fund documents. During the period covered by the previous Board review (2015 to 31 March 2018) the Board received training, from the Advisor to the Board, which addressed the eight “core” areas of Knowledge and Skills for Pension Board Members as set out in the CIPFA *“Local Pension Boards A Technical Knowledge and Skills Framework”* and members of the Board also successfully completed the Pension Regulator’s online *“Public Service Toolkit.”* Therefore prior to the period covered by this Pension Board review (1 April 2018 to 31 March 2019) the members of the Board had received the fundamental training which would be reasonably expected to be provided to a newly created Pension Board.

Prior to both Board meetings held during the period 1 April 2018 to 31 March 2019 the Advisor to the Board presented a training session of approximately 90 minutes. Before the Board meeting held on 14 June 2018 further training was provided on Legislation, Governance, Roles and Responsibilities including in the specific context of the Nottinghamshire LGPS Fund. After this there was a session dedicated to Investment Pooling covering the background, national guidance, developments to April 2018, and an introduction to LGPS Central the Pool which Nottinghamshire is a member of.

Prior to the Board meeting held on 4 December 2018 the Advisor to the Board presented a training session entitled *“An introduction to the 2019 LGPS Actuarial Valuation.”* This explained the role of the Fund Actuary, the purpose, process and outcomes of the Three Yearly Actuarial Valuation. This was followed by a session entitled *“Update on LGPS Developments.”* This provided an update on the Government Actuary’s Department Section 13 Report, the approach of the Pensions Regulator to the LGPS and on Investment Pooling.

The objective of the training provided prior to the 2018 Pension Board meetings was to provide knowledge and understanding that built upon the strong foundations of the earlier Board training. The 2018 training sought to achieve this by covering additional topics, looking at issues in more depth, specifically considering the Nottinghamshire context and by providing updates on issues previously covered.

Support for the Board by the Administering Authority 1 April 2018 - 31 March 2019

The effectiveness of the Board is dependent not only on the approach and contribution of its members but also that of the Administering Authority. Throughout the period covered by this review the Board received positive support, advice and guidance from the Officers of the Nottinghamshire Pension Fund.

Meetings of the Board were also supported and attended by the Advisor to the Board who provided independent support including advice on issues the Board might wish to consider, and an external viewpoint on the Officers reports in addition to presenting training to the Board.

John Raisin

Advisor to the Nottinghamshire LGPS Local Pension Board

21 November 2019

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